SUBJECT TO AUDIT

ABERDEEN

CITY COUNCIL

DRAFT STATEMENT OF ACCOUNTS

FOR THE PERIOD

1 APRIL 2010 TO 31 MARCH 2011

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Explanatory Foreword

Introduction

On an annual basis the Council, by statute, must publish a Statement of Accounts that comply with recognised accounting codes of practice. The purpose of the Statement of Accounts is to demonstrate the Council's proper stewardship and accountability of the public funds with which it is entrusted.

The Statement of Accounts has been prepared in accordance with the International Financial Reporting Standard (IFRS) based *Code of Practice on Local Authority Accounting in the United Kingdom 2010/11(the Code),* with specific reference to IFRS 1 (First-time Adoption of IFRS), except where interpretation or adaptation to fit the public sector are detailed in the Code. The Statement of Accounts is also based on the *Best Value Accounting Code of Practice 2010/11 (BVACOP)*.

The adoption of IFRS represents a major change in the way in which financial statements are presented. Previously the Statement of Accounts was prepared in accordance with the *Code of Practice 2009/10: A Statement of Recommended Practice (the SORP)*, which is largely based upon United Kingdom, Generally Accepted Accounting Practice (UKGAAP). The comparative figures for 2009/10 (and where applicable as at 1 April 2009) have been restated to reflect any amendments that were required, and further details of the restatements can be found in Note 46.

The Statement of Accounts comprises the following financial statements and accompanying explanatory notes:

Statement of Responsibilities : This statement sets out the respective responsibilities of the Council and the Head of Finance for the Statement of Accounts.

Annual Governance Statement : This explains how the Council conducts its business, both internally and in its dealings with others. The statement details the review of effectiveness of the Local Code of Governance and outlines any actions the Council is taking to address significant issues.

Remuneration Report : This report presents detailed information on the remuneration and pension benefits of senior Councillors and senior employees of the Council and the remuneration and pension benefits of Chief Executive of the Council's subsidiary bodies.

Movement in Reserves Statement : This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and rent setting purposes for dwellings. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

Comprehensive Income and Expenditure Statement : This statement shows the accounting cost in the year of providing services in accordance with IFRS as applied to the public sector, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet : The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. The net worth of the Council as at 31 March 2011 was £1,161.3 million.

Cash Flow Statement : This statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Council.

Notes to the Core Financial Statements : The notes provide additional information on the various financial transactions that are not separately detailed in the above statements.

Loans Fund : A statutory fund that acts as an internal bank, borrowing externally to provide long-term loans to the Council, which it then uses to fund the expenditure on capital projects, see Note 41 for full details.

Housing Revenue Account : This represents the statutory requirement to account for local authority housing provision, as defined in the Housing (Scotland) Act 1987. It shows the major elements of housing expenditure and how these are funded through rents, and other income, see Note 42 for full details.

Non-Domestic Rates Income Account : This account provides details of the gross and net income raised from Non-Domestic Rates and details the amount payable to the National Non-Domestic Rates pool, see Note 43 for full details.

Council Tax Income Account : This account provides details of the gross and net income raised from Council Tax, together with details of the numbers of properties on which Council Tax is levied and the charge per property, see Note 44 for full details.

Common Good and Trust Funds : These statements present the Comprehensive Income and Expenditure Statements, Balance Sheet and Movement in Reserves Statements for the Common Good Fund and separately the various Trust Funds administered by the Council. The value of the Common Good and the Trust Funds as at 31 March 2011 was £67.2 million and £6.8 million respectively.

Group Accounts : The Council has an interest in a number of companies and joint ventures. Where material, the financial results of the subsidiaries, associates and joint ventures are consolidated into Group Accounts. The aim of these accounts is to show the full extent of the Council's control and influence over service provision, resources and exposure to risk that the Council has taken on through its involvement in the various entities. The Group Accounts comprise: Group Movement in Reserves Statement; Comprehensive Income and Expenditure Statement, Group Balance Sheet; Group Cash Flow Statement. The net worth of the Group as at 31 March 2011 was £860.8 million.

Changes to Accounting Policies

In the 2007 Budget the Chancellor announced that there would be a requirement for Local Authorities to adopt International Financial Reporting Standards from 2010/11. This is a significant departure from UKGAAP on which previous versions of the Code were based. The adoption of IFRS has required a revision of the accounting policies operated by the Council.

Under IFRS1 (First Time Adoption of IFRS) accounting policy changes arising from the adoption of IFRS are applied retrospectively unless the Code requires an alternative treatment. This means that many figures in the Financial Statements for the previous year require to be restated to ensure compliance with the Code.

While many accounting policies are similar to those that existed under UKGAAP, there are a number of areas where there is a material change, and these are outlined below:

Employee Benefits : Under International Accounting Standard (IAS) 19 and the Code, Local Authorities are now obliged to account for accumulated short term compensated absences, such as annual leave, accrued by employees. The Council has now calculated an accrual for these costs and included it in the Comprehensive Income and Expenditure Statement.

Government Grants and Contributions : Under IAS 20 and the Code, Local Authorities should now recognise grants immediately in the Comprehensive Income and Expenditure Statement as income unless any conditions have not been met. In adopting this policy the Council has identified a number of unspent grants that have been received during the year that are now recognised, ensuring that where appropriate the value of the unspent grant is earmarked for the specific purpose in a future year.

Investment Properties : Under IAS 40 and the Code all gains and losses on the revaluation of investment properties must be recognised through the Comprehensive Income and Expenditure Account. Under the SORP, gains and losses were recognised through the revaluation reserve. The Council has made amendments to its treatment of investment property revaluations and made appropriate changes to reflect this policy change.

Leases : Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. The Council has reviewed its accounting treatment of its leases, both as lessee and lessor, and made appropriate changes to reflect this policy change.

Non-Current Assets Held for Sale : IFRS 5 Non-Current Assets Held for Sale specifies that assets held for sale should measured at the lower of carrying amount and fair value less costs to sell, and deprecation on those assets should cease, furthermore they should be presented separately on the Balance Sheet. As a result of the application of this policy change the Balance Sheet as at 31 March 2011 included as Current Assets a new category of Assets Held for Sale with a value of £4.0 million.

Property, Plant and Equipment : Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. This policy change requirement applies to revaluations and capital expenditure from 1 April 2010 onwards and as such it not applied retrospectively. The Council, in conducting its rolling programme of revaluations, made decisions in relation to the significant components and made separate calculations of deprecation, which has been charged to Comprehensive Income and Expenditure Statement.

Other changes in policy that have been applied in 2010/11 include:

Financial Liabilities : In recognising its financial liabilities, specifically financial guarantees, the Council has determined that while the noted contingent liabilities are not expected to be required, in order to protect the financial position of the Council in the future a suitable sum should be earmarked from the General Fund balance in order to provide financial certainty. The Council has set aside funds, shown in the Movement in Reserves Statement, to recognise the introduction of this policy.

Financial Performance

Revenue

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement (CIES), which can be seen on page 32. The Comprehensive Income and Expenditure Statement complies with the International Financial Reporting Standards based Code of Practice on Local Authority Accounting. However to show the net position of the Council, it is necessary to adjust this statement for additional items required by statute or non-statutory proper practice to be taken into account in determining the position of the General Fund for the year. These are shown in Note 5.

The outturn position for the General Fund, which has been the subject of monthly scrutiny by the Corporate Management Team and regular reporting to Finance and Resources Committee, excluding accounting practice adjustments, compared to budget is summarised below.

As at 31 March 2011	Annual Budget 2010/11	Actual Operating Expenditure 2010/11	(Under) / Over Spend
ACCOUNTING PERIOD 12	£'000	£'000	£'000
Services:			
Office of Chief Executive	832	652	(180)
Corporate Governance	27,786	26,374	(1,412)
Enterprise Planning and Infrastructure	27,757	30,251	2,494
Housing and Environment	43,316	42,829	(487)
Education Culture and Sport	185,516	187,447	1,931
Social Care and Wellbeing	125,061	117,200	(7,861)
Total Service Budgets	**410,268**	**404,753**	**(5,515)**
Total Corporate Budgets	**37,948**	**39,072**	**1,124**
Total Net Expenditure	**448,216**	**443,825**	**(4,391)**
Funding:			
General Revenue Grant & NDRI	(344,102)	(344,130)	(28)
Council Tax and Community Charge	(106,467)	(107,545)	(1,078)
Total Funding	**(450,569)**	**(451,675)**	**(1,106)**
General Fund surplus for the year	**(2,353)**	**(7,850)**	**(5,497)**

Fees and charges levied by the Council have been offset against the cost of providing services and are included within the actual cost of Services shown above.

<u>Budget Performance</u>

Overall, the financial performance has been very positive with an overall contribution to the General Fund from operations of £7.85 million. This has been achieved against a budgeted surplus for year of £2.35 million and means that an additional £5.5 million has been added to the General Fund balance. A number of factors contribute to the movement from budget in the year and the principal reasons can be summarised as:

- Savings arising from the management of staff and vacancies across all services produced an overall saving of £7.2 million, representing 3% of the total staff budget for the General Fund;
- Lower than budget costs in relation to the commissioning of social care services amounted to £4.2 million, and was particularly evident in adult and older people's services, with an additional £2.6 million being saved from the non-utilisation of additional budget that had been included in the 2010/11 budget for growth;
- Expenditure on winter maintenance was a cost pressure for the Enterprise, Planning and Infrastructure Service, with an additional £1.1 million being spent due to the adverse conditions during November and December 2010. Further pressure was put on the Service budget from the lower level of income generated for architectural design services, which was affected by the housing and general services capital budgets being managed below budgeted levels;
- Included in the actual expenditure of the Housing and Environment Service was additional expenditure that directly relates to the collection of additional Council Tax. People with a second home now receive a 10% discount on the Council Tax for that property, instead of the 50% discount that had applied until 31 March 2005. Each year the additional sum collected has to be set aside for affordable housing, and is accounted for as a cost to Housing and amounted to £1.3 million for 2010/11;
- Waste disposal costs were lower than had been budgeted as landfill allowance tax rates were not increased as estimated in the budget and the associated provision was therefore at a lower value, saving £1 million. Landfill tax rates and tonnages were such that a saving of £0.8 million was achieved;
- The payment of revised non-domestic rates on school properties was greater than had originally been budgeted. Estimates included in the budget for the impact of the property revaluation, as part of the quinquennial review, by the Grampian Valuation Joint Board, and the opening of new schools in the city were insufficient resulted in an additional £1.4 million being spent against the Education, Culture and Sport budget.
- Capital financing costs, associated with the repayment of borrowing, were lower than had been expected in the budget and a saving of £5 million was realised. Pro-active treasury management led to a lower pooled interest rate and that combined with lower borrowing in the previous year than had been budgeted for resulted in lower borrowing costs. This enabled costs to be borne in relation to Employment Savings that has been expected as part of the budget for 2010/11. An option to accelerate the debt repayment of £1.4 million on Council vehicles was also taken, which will have a beneficial impact on the 2011/12 budget;
- The corporate budgets include payments to the Police, Fire and Valuation Joint Boards as well as Councillor expenses, Council contingencies and a contribution from the trading operations that are operated by the Council. The trading operations overall surplus of £5.8 million was £1 million lower than had been budgeted after taking account of rebates to Services. The Service figures are improved as a direct result of these rebates and fall within the Housing and Environment and the Enterprise, Planning and Infrastructure Services.

A review of provisions to cover potential costs, such as Equal Pay claims and other liabilities against which a reasonable estimate could be made, were reviewed and opportunities taken to make some changes thereby ensuring that the Council remains in a position to meet those costs from held resources. The Insurance Fund and Capital Fund received similar treatment at the year end and contributions of £7.3 million were made to secure resources for the future.

The Council made use of the provisions held as at 31 March 2010 to settle outstanding sums to the North East Scotland Pension Fund. These were fully utilised and resulted in payments of £8.4 million to the Pension Fund being made. This cleared instalment arrangements that had continued for a number of years. As part of the reduction of the workforce, and in line with decisions taken by the Council on savings for 2010/11 the provision also met payments of £3.7 million in voluntary redundancy payments to employees who were affected by those plans.

The principal sources of funding for the Council during the year are determined centrally by the Scottish Government (General Revenue Grant and Non-Domestic Rates distribution) and locally by the Council, through the setting of the Council Tax level. In 2010/11 the level of Council Tax was frozen at a level of £1,230.39 for Band D properties (£1,230.39 2009/10). The funding in 2010/11 amounted to:

Council Tax / Community Charge Arrears	£107.545 million
Distribution from Non-Domestic Rates pool	£84.155 million
General Revenue Grant	£259.975 million
Total	£451.675 million

Other Transactions

While the table of financial results against budget, above, shows that a surplus on the General Fund of £7.85 million was achieved, with the application of transactions in recognition of proper accounting practice (for which there is no statutory mitigation), at the year end the actual surplus that was transferred to the General Fund was £6.12 million.

This represented accounting for expenditure that was either not budgeted in 2010/11 and was in connection with a decision to make savings in 2011/12 or was in relation to workforce reduction costs that had been earmarked as at the start of the year. The value of these transactions was £2.42 million and reduced the value to be transferred to the General Fund balance. The other transaction was in relation to the conversion to IFRS, and specifically the reclassification of grant income. Grant income, where there is no condition for it to be repaid to the grantor, is to be recognised in the year it is received and if unspent to be earmarked from the General Fund balance as necessary. The reclassification of grants received in 2010/11 was £0.69 million and increases the General Fund balance, the full value of which is earmarked for use on specific projects.

Reserves

The Council's General Fund comprises two elements – i) the Uncommitted Balance; and ii) the Earmarked Balance, for sums set aside for specific purposes.

The uncommitted balance is held against the risk of unexpected or unplanned expenditure or reduced income arising in any particular year. The Council agreed at its Budget setting meeting of 10 February 2011 that the appropriate level for this fund was 2.5% of net revenue expenditure – approximately £11 million. The actual uncommitted balance as at 31 March 2011 is £11.3 million and remains in a stable position as uncommitted balances have been able to be retained at or around the approved level for the last year.

In reviewing the balance sheet and inherent risks that the Council has taken on, it is important to note the changes that have taken place in the earmarked balance, where a value of £24.2 million has been set aside to de-risk the Council and to provide funding for specific purposes. A full list of the commitments in the earmarked balance can be seen in Note 6, and can be summarised as needed for the following reasons:

- Balances set aside for specific financial risks, which are likely to arise in the medium term future – for example equal pay issues and service redesign costs. The Council holds £9.0 million against these future risks;

- Balances set aside for specific contingent risks, which may arise and are reliant on other factors, which are outside the control of the Council – for example bank overdraft and loan guarantees given to external organisations. The Council is addressing this risk for the first time this year and providing financial backing to arrangements that it has in place. In doing so this means that the Council is in a stronger, more resilient position than it has previously been in. The Council holds £ 7.1 million against these future risks;
- Balances set aside, primarily from grant income due to timing differences between the receipt of the grant income and the planned expenditure thereof. The Council holds £0.9 million of income which has been received in advance of planned expenditure;
- Balances set aside to enable the Council to undertake specific projects, some of which are specifically designed to deliver savings in the future. Examples include the energy efficiency fund and funding for the City Development Company. The revenue savings from energy efficiency work are used to reinstate the earmarked balance to ensure that the terms of the original Scottish Government Grant to initiate the Fund are met. The Council holds £3.5 million for project related work;
- Balances held under the Devolved Education Management (DEM) scheme, which covers Schools and Community Education Centre funds, which permit balance on individual school budgets to be carried forward to the following year. The current balance is £1.6 million for Schools and £2.1 million for Community Education Centres.

As at 31 March 2011 the level of reserves is considered to be appropriate in view of the financial liabilities and risks that the Council is likely to face in the short to medium term.

Housing Revenue Account

The Council has a statutory obligation to maintain a revenue account for its housing provision in accordance with the Housing (Scotland) Act 1987. The Housing Revenue Account (HRA) records all expenditure and income relating to the Council's own housing stock. Revenue expenditure on housing management, repairs and maintenance is funded from rent paid by tenants. In addition, the Council pursues a major capital investment programme to improve its housing stock to meet the Scottish Housing Quality Standard by 2015. This programme is funded through both borrowing and rent collected from tenants.

The HRA recorded a £0.7 million surplus for the financial year, with the significant movements against budget being summarised as i) property repair and maintenance under spending by £3.6 million due to service delivery efficiencies and tight control of contracts; and ii) the cost of financing borrowing being lower than had been budgeted by £2.7 million, as a consequence of the reduced pooled interest rate and lower levels of borrowing in the previous year. These savings enabled capital expenditure to be paid directly from the collection of rent and a total of £22 million was paid in this way, resulting in lower borrowing levels for Housing than had been budgeted in 2010/11. This will have a positive impact on the cost of funding debt in 2011/12 and future years.

The HRA has, in the last two years generated a surplus of £2.6 million. It was agreed at the Housing and Environment Committee on 12 January 2011 to transfer this sum to the General Fund balance in recognition of the value of land that has been transferred during 2009/10 and 2010/11, representing four sites upon which new affordable housing is being built. As the sites were in the ownership of the Council no financial transaction takes place to move them between the assets funded by Council Tax and those funded by tenant rents. In undertaking this transaction it means that those who have paid to acquire / create the asset (the Council Tax payers) are recompensed for the fact that it will no longer be available for their use, becoming part of the Council housing stock. This transfer is included as part of the Movement in Reserves Statement.

Significant Trading Operations

Under the Best Value Requirements in the Local Government in Scotland Act 2003, Councils are required to consider all services provided and determine which are "Significant Trading Operations". The Act requires statutory trading accounts to be maintained for Significant Trading Operations and that they should break even over a three-year rolling period.

During 2010/11 the Council determined that six Significant Trading Operations were to be maintained and retained a trading account for one non-significant trading operation. Note 18 provides summarised details for each of the operations.

In 2010/11 total expenditure amounted to £56.8 million for the Significant Trading Operations with turnover of £65.8 million. A gross surplus of £9 million was generated prior to refunds of £3.2 million to client services, including £0.7 million to the Housing Revenue Account. After taking account of these refunds, a net surplus of £5.8 million was generated and returned to the General Fund balance.

All of the services achieved an operating surplus in 2010/11 and the Significant Trading Operations have achieved a cumulative surplus on an aggregate rolling basis over the three year period from 1 April 2008, as required by the legislation.

Capital

Capital expenditure is undertaken by the Council having regard to the Prudential Code for Finance in Local Authorities and considerations, in all years, of affordability and sustainability.

As at 31 March 2011 **Capital Expenditure:**	**Revised Budget £'000**	**Service Determined Minimum Required £'000**	**Actual Expenditure £'000**	**Variance Amount £'000**
General Fund Services	108,454	63,566	63,402	(164)
Housing	63,043	54,600	52,991	(1,609)
Total Capital Expenditure	**171,497**	**118,166**	**116,393**	**(1,773)**
Funding:				
Supported Borrowing	(10,321)	(10,321)	(10,321)	0
Un-supported Borrowing	(35,325)	(41,825)	(37,297)	4,528
Un-supported Borrowing - Housing	(39,161)	(37,325)	(24,435)	12,890
General Capital Grant	(13,328)	(13,328)	(13,328)	0
Specific Capital Grant	(365)	(365)	(365)	0
Specific Capital Grant - Housing	(2,125)	(2,041)	(1,872)	169
Capital Receipts – Sales	(2,775)	(2,775)	(1,580)	1,195
Capital Receipts – Sales - Housing	0	0	(4,643)	(4,643)
Capital Receipts – Contributions	(4,000)	(500)	(511)	(11)
Capital Receipts – Sponsorship	(3,000)	0	0	0
Revenue Contributions - HRA	(13,561)	(15,234)	(22,041)	(6,807)
Total Funding	**(123,961)**	**(123,714)**	**(116,393)**	**7,321**
Slippage Required/ (Underspend)	**47,536**	**(5,548)**	**0**	**5,548**

An analysis of the capital programme for the year reveals the following:

- The General Fund capital budget set by Council was £96.7 million but only funded to £69.1 million. Subsequently, a further £11.7 million has been approved by Committee or rolled forward from 2009/10, which increased the budget to £108.4 million. Thus, slippage of £39.3 million was required. The Corporate Asset Group, created in early 2010/11, worked with Services to ascertain a minimum budget requirement this year which was latterly forecast at £63.6 million, thus bringing the programme to within the capital funding constraints that were in place. Expenditure was in line with the forecast and funding was secured from a variety of sources, principally through borrowing from the Council's Loans Fund.
- The Housing capital budget set by Council was £63 million, with funding in place for spend of £54.8 million. The level of slippage required on the Housing programme was similar to previous years and allows for contract variations, projects starting later than anticipated and projects being amended. The final expenditure is £53 million and is principally funded by a revenue contribution from the HRA of £22 million and borrowing from the Council's Loans Fund of £24.4 million.
- The Loans Fund advanced £72.1 million in support of the 2010/11 capital programmes.

Within the capital programmes the reconstruction of Marischal College as the corporate headquarters is by far the most significant project and represents spend in the year of £28 million, against a total budget that has been spread over a number of years. The building opened in June 2011.

The public private partnership for the creation and refurbishment of schools in Aberdeen continued in 2010/11 with five new schools opening, leaving just one to become operational as at the end of the financial year. The Council has accounted for the schools as though they had been constructed and funded through capital expenditure, recognising the influence it has in the use and ultimate ownership of the assets. It does however pay for these buildings through an annual unitary charge from its revenue budget, based upon the contractual obligations that are actually in place between the operators of the buildings and the Council.

In line with its accounting policy on Non-Current Assets of revaluing assets on a rolling programme over five years the Council revalued its housing stock in 2010/11. This resulted in an increase in the value of the housing stock, as at 1 April 2010, of £132.7 million and represents a mixture of valuation changes across the city. Furthermore in accordance with the same policy the Council recognised impairment losses of £5 million, in its Comprehensive Income and Expenditure Statement, on the city waste disposal sites for expenditure incurred during 2010/11.

Pension Liabilities

International Accounting Standard 19 (IAS 19), Employee Benefits, details the accounting treatment to be applied for post-employment benefits and classifies them into defined contribution and defined benefit pension arrangements. For defined benefits pension schemes the principle to be applied is that the Council should account for these post-employment benefits at the point at which it commits to paying them, rather than when payment actually falls due.

The Cost of Services in the Comprehensive Income and Expenditure Statement therefore includes an appropriate amount for the value of the post-employment benefits that the Council has committed to pay, while the effect on the amount to be met from government grants and Council Tax payers is balanced by entries permitted by statutory regulation that means only the actual cost falling due in the year is charged to the General Fund in that year. This is because the Council is only funded, and therefore sets its budget, to meet a specific contributable amount each year rather than the benefit entitlement earned by employees. The employer's pension contribution is set on a triennial basis and for 2010/11 was 19.2%.

The net pension liability as at 31 March 2011 shown in Note 23, in accordance with the requirements of IAS 19, amounts to £253.7 million (£299.7 million as at 31 March 2010). This represents a reduction in the liability of £46 million and is principally due to the underlying assumptions now made in relation to how future public sector pension increases will be calculated. The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the Consumer Price Index (CPI) would be the basis for increase in the future, rather than the Retail Price Index (RPI), and was expected to have the impact of reducing liabilities.

It should be noted that the values calculated are estimates and based on assumptions, providing a snapshot of the position as at 31 March 2011. The triennial valuation, carried out by actuaries, takes a longer term view, will consider the appropriate employer's contribution rates and this, together with employee contributions and revenues generated from fund investments, will be utilised to meet the fund's commitments.

Other Funds

Common Good : The Common Good performed well against its budgeted use of working balances of £0.5 million, recording a surplus of £0.3 million before gains on the disposal and revaluation of fixed assets. The value of the Common Good was £67.2 million as at 31 March 2011, an increase overall of £3.7 million from last year. A surplus on the revaluation of assets accounted for the majority of the 6% increase in value.

Trust Funds & Endowments : The Council administers a number of trust funds and endowments, some of which have charitable status. The value of the Trust Fund balances at 31 March 2011 was £6.8 million. This represents a net increase of £1 million from last year. An overall deficit on the funds of £25,000 was offset in the year by the gains associated with the revaluation of investments, specifically the element that is held as land and buildings.

Capital Fund : The Council is able, under the Local Government (Scotland) Act 1975, s.22 to establish a Capital Fund. The fund can be used for defraying capital expenditure and the repayment of the principal on loans. In accordance with s.23 of the Act the Council may pay in to the Fund sums from the sale of property, subject to certain exclusions and sums as the Council may from time to time direct. The Capital Fund commenced the year with a balance of £5 million and during the year received interest of £70,000. A contribution of £6.9 million was made from the General Fund to the Capital Fund to mitigate risks, capture funding allocated as part of the budget for financial year 2011/12 and increase the resilience of the Council Balance Sheet.

Insurance Fund : The Council operates an Insurance Fund, to mitigate the risk of insurance related payments that may arise from claims. The value of the Fund was increased during the year by a contribution from the General Fund of £0.4 million. The value of the fund as at 31 March 2011 was £1.4 million.

Other Events

On 11 July 2010 the Council transferred the operation of its sports facilities to Sport Aberdeen and, in exchange for a grant, the organisation is now expected to operate sports facilities throughout the city. Sport Aberdeen has an operating licence to use the various sporting facilities, which means that the assets remain in the ownership of the Council. Sport Aberdeen is a company limited by guarantee and a registered charity. It is part of the Aberdeen City Council group and on the basis of materiality has not been incorporated into the Group Accounts, but further information is available on page 151.

Since 31 March 2011, until the date the Statement of Accounts was authorised, no material events have taken place that required either an adjustment to be made, or disclosure to be included in the Financial Statements.

Impact of the Current Economic Climate

The financial year 2010/11 saw the first full year of operation of the new management structure and the further development of services within a tight financial settlement. The delivery of savings in 2010/11 had a particularly high profile during the year and in the current economic climate it is not expected that there will be any major change in this respect. The budget setting process for 2011/12 and the subsequent 4 years has been developed during 2010/11 and reflects a stepped change in the way in which the Council prepares its future spending plans. Extensive stakeholder engagement and contributions from all Services has laid the foundations of a 5-year Business Plan that will take the Council on a journey towards sustainable budgets that will see services reshaped and changes in the way the Council delivers those services.

There are many factors that can influence the financial position of the Council. Many of these are external factors and often difficult to influence but have the potential to create significant and challenging conditions for the Council financially. Those that are particularly pertinent at present include the rising cost of utilities, consultation on changes to the National Insurance Contribution arrangements and the outcome of the national review of teachers' terms and conditions.

Furthermore it is expected that the Council will see funding reduced in real terms in the next few years, and awaits with interest the outcome of the first budget being set by the newly elected Scottish Parliament.

Acknowledgement

The production of the Statement of Accounts is very much a team effort involving many staff from both my own and other Services in the Council, as well as those in the wider Aberdeen City Council group. I would like to take this opportunity to acknowledge the considerable efforts of all staff in the adoption of a new set of financial reporting standards, and the production of the 2010/11 Statement of Accounts within the tight timescales set.

Barry R Jenkins, B.Acc, CPFA, MBA
Head of Finance

29 June 2011

Statement of Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Financial Statements within two months of receipt of the audit certificate.

The Head of Finance's responsibilities:

The Head of Finance is responsible for the preparation of the Council's Financial Statements in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code)

In preparing the Financial Statements, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Head of Finance has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities

Financial Position:

The detailed financial statements set out in pages 30 to 163 give a true and fair view of the financial position of Aberdeen City Council for 2010/11 and its income and expenditure for the year ended 31 March 2011.

Barry R Jenkins, B.Acc, CPFA, MBA
Head of Finance
29 June 2011

Annual Governance Statement

Scope of Responsibility

Aberdeen City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically efficiently and effectively. The Council has a duty under section 96 of the Local Government (Scotland) Act 1973 to keep accounts, and section 12 of the Local Government in Scotland Act 2003 sets out the statutory duty for Scottish local authorities to follow proper accounting practices.

In discharging this overall responsibility the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and ensuring arrangements are made for the management of risk.

The CIPFA / SOLACE Framework *Delivering Good Governance in Local Government* sets out a standard for good corporate governance and this Annual Governance Statement follows the principles contained therein. The Statement explains how Aberdeen City Council has complied with the standard and meets the requirements of relevant legislation and current good practice.

During 2010/11 Aberdeen City Council revised its Local Code of Corporate Governance, the Corporate Policy and Performance Committee approving it on 25 November 2010. A copy of the code is on our website at www.aberdeencity.gov.uk[1] or can be obtained from the Office of the Chief Executive, Town House, Broad Street, Aberdeen, AB10 1FY. This statement explains how Aberdeen City Council has complied with the code.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Aberdeen City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

A governance framework has been in place at Aberdeen City Council for the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts.

[1] **A copy of the Local Code can be obtained at: http://councilcommittees/mgConvert2PDF.aspx?ID=10495**

The Governance Framework

The Local Code of Corporate Governance was revised during 2010/11 to incorporate the six principles recommended in the CIPFA / SOLACE Framework. Against each principle is a set of key documents, policies, arrangements and areas of activity within the Council that address the theme and summarised in the table below. The principles are:

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the authority and demonstrating the value of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of members and officer to be effective;
6. Engaging with local people and other stakeholders to ensure robust public accountability.

Principal 1	**Principal 2**	**Principal 3**	**Principal 4**	**Principal 5**	**Principal 6**
Single Outcome Agreement Council policy statement – *Vibrant, Dynamic & Forward Looking* Council Business Plan 2011 – 2016 Service Plans	Standing Orders Committee Terms of Reference Scheme of Delegation Financial Regulations Management and decision-making structures	Councillors' Code of Conduct Officer and employee policies and procedures	Monitoring, management and reporting of performance Inspection reports and the Council response Risk Management Strategy and system	Continuing professional development for elected members Training and development for officers	National standards for community engagement Ongoing engagement and feedback opportunities on the Council's Business Plan development and delivery Protocols for engagement with Community Councils and Community Planning Partners User and stakeholder groups Citizens Panel Public Performance Reporting Internal communications and engagement with staff and their trade union representatives

The Council has in place an overall policy statement, *Vibrant, Dynamic and Forward* Looking, that encapsulates the commitments that the Council has made to the services it delivers or enables and the citizens of Aberdeen. This is supported by the Single Outcome Agreement and progress towards the targets that is sets out is monitored on a regular basis. The Council has developed a five-year business plan during 2010/11 and this was the basis for decision making for the budget in 2011/12, supporting a longer term approach to service development and financial planning and it is expected this will be developed and become more strongly embedded in the way the Council does business in the future. The individual Services have specific Service Plans and these are monitored through regular reports to the Service Committees.

The Standing Orders and Orders of Reference provide the decision making structure to the organisation, with members and officers understanding of roles and responsibilities further enhanced by the Scheme of Delegation. Regular, structured meetings between the Corporate Management Team (CMT) and the Administration leaders as well as annually set committee meetings, pre-agenda meetings and reporting / consultation deadlines ensure that sufficient time is dedicated to decision making. Urgent Business Committees can be called by members at short notice where a Council decision is recognised as essential. The CMT meets regularly and each individual Services has it's own weekly scheduled meeting to make decisions, review and monitor progress and cascade information.

Council policies provide a structure to enable staff to know and understand their role and responsibilities as an employee, while the Councillors Code of Conduct is set out at a national level, applying to all members in Scottish Local Authorities. The scrutiny in the Council emanates from the Audit and Risk Committee, which has a convener and vice-convener from the opposition groups to enhance the independence and scrutiny function. The Committee oversees Internal and External Audit reporting and can consider any previously unscrutinised issue, process or practice.

The Audit and Risk Committee also receives reports on risk management. The Council has an approved Risk Management Strategy and Manual that maintains a corporate risk register. Service risk registers are in place across the Council.

Members have personal development plans and dedicated days are set aside for member training events. The Human Resources and Organisational Development team prepares and provides / commissions management and specialist training courses, while individual Services not only have their own training teams but will procure the necessary training where this is thought appropriate.

Engagement with local people and stakeholders is driven through a number of routes, with the Community Planning Partnership of particular importance. Specific events are carried out on a regular basis or when a matter of appropriate importance demands it. This can be with the general public or specific groups as well as partners, staff and trade unions.

Performance reporting is critical to the Council and is discussed regularly with Service Committees receiving performance reports, while the Aberdeen Performs website provides information on the key priorities of the Council and its performance. This is aligned to the Interim Business Plan.

On an annual basis the Council sets revenue and capital budgets and each is allocated to a named budget holder, with the ultimate accountability and responsibility for each Service budget resting with the Director. The responsibilities of budget holders are set out in the Financial Regulations and the Council has prepared online training and courses are available to enhance knowledge and understanding of financial systems, processes and the monitoring arrangements. The budgets are monitored on a monthly basis in accordance with a set timetable and financial reports are discussed widely and this includes by the CMT, Service Management Teams, Service Committees and the Finance and Resources Committee.

The requirement of every local authority to appoint a professionally qualified Chief Social Work Officer (CSWO) is contained within Section 45 of the Local Government (Scotland) Act 1994. The particular qualifications are set down in regulations. This is one of a number of statutory requirements in relation to posts, roles or duties, with which local authorities must comply

The minimum qualifications for the post are prescribed in Regulations. There is an expectation that holders of this post will be registered as a social worker with the Scottish Social Services Council.

The other objective of the CSWO is to ensure the provision of effective, professional advice to local authorities - elected members and officers - in the Council's provision of social work services. The post should also assist authorities in understanding the complexities of social work service delivery and the key role social work plays in contributing to the achievements of national outcomes, local outcomes, overall performance improvement and the management of corporate risk.

The designated CSWO is the Director of Social Care and Wellbeing.

Other statutory posts, namely the Monitoring Officer[2] and Chief Financial Officer[3], remain at Head of Service level and both are members of the Corporate Management Team.

This is particularly important as CIPFA has recently (April 2010) published *the role of the chief financial officer in local government* in which it sets out five principles that define the core activities and behaviours that belong to the role of the chief financial officer (CFO). The principles are:

i) the CFO is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver those strategic objectives sustainably and in the public interest;

ii) the CFO must be actively involved in, and bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the financial strategy;

iii) the CFO must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically , efficiently and effectively.

To deliver these responsibilities the CFO:

iv) must lead and direct a finance function that is resourced to be fit for purpose; and

v) must be professionally qualified and suitably experienced.

A qualified accountant with many years experience at a senior level the CFO was responsible for a finance team where the only exception to the role is the day to day responsibility for the Internal Audit Function. Fundamentally all reports were provided to the CFO during the year and this extended to all Council reports under Standing Orders and Financial Regulations requirements, providing a process by which influence could be brought to bear in relation to all business decisions.

Review of Effectiveness

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

In reviewing this it has been assessed that the Council’s financial management arrangements conform to the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010).

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[2] **Monitoring Officer – as required by s.5 of the Local Government & Housing Act 1989**
[3] **Chief Financial Officer – as required by s.95 of the Local Government (Scotland) Act 1973**

In relation to the statutory posts the effectiveness of the Council's arrangements can be evidenced through the relationship that they have had throughout the year with the Council and its officers, being full members of the Corporate Management Team. In addition the CFO is in attendance to advise not only the Council at its meetings, but the Audit and Risk Committee and the Finance and Resources Committee.

The revised Committee structure continues to follow and support the organisational and management structure, incorporating a culture of accountability that has been developed throughout the Council. The Audit and Risk Committee remains responsible ensuring the effectiveness of the internal audit function and considering all reports prepared by the external auditor.

During 2010/11 the transfer of the Internal Audit function was achieved with PricewaterhouseCoopers LLP started their contract in October 2010.

At the end of the year the Head of Internal Audit provided the Council with a written report on risk management, controls and governance processes during the year and the report issued, covering the period October 2010 and March 2011, refers to the fact that the in-house internal audit service undertook a programme of work under the supervision of the Chief Internal Auditor and final findings were reported to the September 2010 meeting of Audit and Risk Committee

The report showed that 16 audits had been carried out and that there were no business critical risk recommendations. The Council in all instances responded to the various recommendations made by Internal Audit. A review in early May 2011, carried out by Internal Audit, found that 70% of recommendations that were due to have been implemented had been. Progress is being made by management and evidence was able to be provided to show the implementation of those recommendations. Where recommendations remain outstanding management are committed to the completion of the work in accordance with revised completion dates.

The Council has undertaken a self-evaluation of its Local Code and determined that there is strong compliance with the Code and that governance processes, procedures, performance reporting and engagement material is well managed by the organisation. The Council has a clear approach to the decision-making process and seeks to engage with those in the community and with partners and staff. There are areas that can be developed and the Council is aiming to address identified weaknesses in the development of capacity and capability of members and officers, as well as ensuring that data that is available to the public is as up to date as it practicable.

The Annual Governance Statement from 2009/10 identified five significant governance issues and in reviewing the progress on these actions three have been addressed fully in 2010/11. One remains a challenging issue in relation to ICT Assets the other is the continued development of the financial monitoring process and these are retained as actions for 2011/12.

In addition to the above the wider review of the effectiveness of Council governance is informed by:

(i) assurance statements on internal control received from senior management;
(ii) the work of managers and finance staff;
(iii) internal audit reports from across the Council;
(iv) external audit reports and annual audit letter;
(v) reports from external review bodies and the work of the Local Area Network (LAN); and
(vi) governance arrangements being in place within the Council's subsidiary, joint venture and associated companies.

Significant Governance Issues

While the review of effectiveness allows the Council to place reasonable reliance on the Council's systems of internal control the Council continues to address control weaknesses identified during audits and good progress is being made in the implementation of recommendations.

The exceptions highlighted have been, or will be, addressed through the actions set out below.

Issue Ref.	Issue Description	Source of Evidence	Action
1	Continued development is required in relation to the updated financial monitoring arrangements. This includes training, and service engagement	Review of 2009/10 Governance Issues & Head of Service Assurance Statements	Having moved the Council reporting forward to regularise the monthly reporting arrangements the Council is seeking improvement in the robustness of financial performance reporting and ensuring this is done in conjunction with budget holders and management teams.
2.	ICT Asset Register; requires data cleansing of manual ICT asset information prior to the integration of these with the current automated collection tools.	Review of 2009/10 Governance Issues	Having achieved a satisfactory level of accuracy from automated collection tools, action to integrate non-automated records is planned for later in 2011.
3.	Development of capacity and capability of members and officers.	Self-evaluation 2010/11	To consider the various approaches to performance evaluation and implement a suitable solution for members and officers, where this is not already in place.
4.	Governance - Arms Length External Organisations (ALEO)	Internal Audit Annual Statement 2011	To implement in full the agreed recommendations as outlined in the audit report.
5.	Asset Management & Capital Investment, there's requirement to improve the procedures and processes to monitor and plan for asset utilisation/ management	Internal Audit Annual Statement 2011	To implement in full the agreed recommendations as outlined in the audit reports in relation to Fleet Management and Capital Investment.

I propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. I am satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Valerie Watts

Valerie Watts
Chief Executive

on behalf of Aberdeen City Council
29 June 2011

Remuneration Report

The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No. 2011/64) amend the Local Authority Accounts (Scotland) Regulations 1985 and require local authorities in Scotland to prepare a Remuneration Report as part of the Financial Statements.

All information disclosed in Tables 1 to 8 in this report will be audited by Henderson Loggie, Chartered Accountants. The other sections of the Remuneration Report will be reviewed by Henderson Loggie, Chartered Accountants, to ensure they are consistent with the Financial Statements.

Remuneration:

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purpose of remuneration arrangement, as either the Leader of the Council, the Lord Provost, Senior Councillor or Councillor. The Leader of the Council and the Lord Provost cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the council's political management structure. SSI No. 2007/183 was amended by the Local Governance (Scotland) Act (Remuneration) Amendment Regulations 2008 (SSI No. 2008/415).

When determining the level of remuneration for councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Department Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowance and expenses incurred by local authority councillors.

The salary that is paid to the Leader of the Council is set out in the Regulations. For 2010/11 the salary of the Leader of Aberdeen City Council is £37,880. The Regulations permit the council to remunerate one Lord Provost and set out the maximum salary that may be paid. Council policy is to pay at the national maximum, £28,410.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors shall not exceed £424,118. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The maximum number of Senior Councillors that the Council can have is 19. Council policy is to pay each of the six principal Committee Conveners 75 per cent of the total year amount payable to the Leader of the Council, £28,410, with the remaining Senior Councillors receiving 75 per cent of that sum, £21,308.

In 2010/11 Aberdeen City Council had 18 Senior Councillor posts. During the year a number of roles and responsibilities changed that meant 20 individual Councillors received payments as Senior Councillors. The salary and allowances paid to them totalled £411,879. The Council is reimbursed by the pension fund for the additional remuneration paid to the Convener of the North East Scotland Pension Fund.

The Regulations also permit the Council to pay contributions of other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become councillor members of the pension scheme.

The Aberdeen City Council remuneration arrangements for Councillors, which encompasses the salaries of all elected members including the Leader, Lord Provost and Senior Councillors was agreed at a meeting of the Urgent Business Committee on 1 July 2009, and ratified by the Council on 19 August 2009, and is available at http://committees.aberdeencity.gov.uk/mgConvert2PDF.aspx?ID=1005&T=9 The Council agreed at its meeting of 16 December 2009 to leave the remuneration arrangements unchanged based upon the recommendation of SLARC that Councillor pay be frozen for the two years 2010/11 and 2011/12.

In addition to the Senior Councillors of the Council the Regulations also set out the remuneration payable to Councillors with the responsibility of a Convener or a Vice-Convener of a Joint Board such as Grampian Joint Police Board. The Regulations require the remuneration to be paid by the Council of which the Convener or Vice-Convener is a member. The Council is also required to pay any pension contributions arising from the Convener or Vice-Convener being a member of the Local Government Pension Scheme.

The Council is reimbursed by the Joint Board for any additional remuneration paid to the member from being a Convener or Vice-Convener of a Joint Board.

The salary of senior employees is set by reference to local arrangements. While the Scottish Joint Negotiating Committee for Local Authority Services (SJNC) sets the salaries for the Chief Executives of Scottish Local Authorities and Circular CO/144 recommended the amount of salary for the Chief Executive for the period 2008 to 2011, in 2008/09 during the recruitment of the Chief Executive, the Council agreed to pay the Chief Executive an alternative amount. This was to take account of local conditions at the time. During 2010/11 as part of the recruitment exercise for a new Chief Executive the salary was split to include a basic value (95% of the existing salary) and a 5% performance related pay element.

The salaries of the Directors and Heads of Service are based on Aberdeen City Council's local job evaluation model and applied in conjunction with the national Chief Officer spinal column points. Directors are based on Chief Officer spinal column point 53, the Heads of Finance, and Legal and Democratic Services are both paid based on Chief Officer spinal column point 36, and all other Heads of Service are paid based on Chief Officer spinal column point 34.

Circular CO/144 indicates that a 2.5% pay award would apply with effect from 1 April 2010. As part of the budget setting process the Council agreed that this pay award would not be applied and therefore the sums paid to senior employees are based on 1 April 2009 values.

Aberdeen City Council takes part in the setting of the remuneration of its subsidiary, Aberdeen Exhibition and Conference Centre Ltd, only in so far it is represented on the Board of Directors by elected members.

<u>Remuneration Disclosures</u>:

Table 1 : In bands of £5,000 the number of people who have received actual salary remuneration of greater than £50,000. This includes where applicable head teachers and other senior teaching staff.

Table 2 : Details of total remuneration paid to the Council's Councillors. The annual return of Councillors' salaries and expenses for 2010/11 is available to any member of the public on the Council's website at www.aberdeencity.gov.uk Follow the links through the 'Council and Government' page, clicking on 'Councillors and Committees' followed by 'Councillors Allowances and Expenses'.

Table 3 : Details of remuneration paid to the Council's Senior Councillors and Conveners and Vice-Conveners of Joint Boards. The 'Other Expenses' shown include the cost of Travel and Subsistence incurred or booked on behalf of Councillors travelling on Council business.

Table 4 : Details of remuneration paid to Senior Employees of the Council.

Table 5 : Details of remuneration paid to the Chief Executive of the Council's subsidiary body, Aberdeen Exhibition and Conference Centre Ltd.

Table 1 : Remuneration Bands

	Number of Employees	
Remuneration Band	2010/11	2009/10
£50,000 - £54,999	94	64
£55,000 - £59,999	22	18
£60,000 - £64,999	6	12
£65,000 - £69,999	7	20
£70,000 - £74,999	12	2
£75,000 - £79,999	8	1
£80,000 - £84,999	1	3
£85,000 - £89,999	2	1
£90,000 - £94,999	-	1
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	6	2
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	-	1
£145,000 - £149,999	-	-
£150,000 - £154,999	-	1
Total	**158**	**126**

Table 2 : Total Remuneration Paid to Councillors

	2010/11	2009/10
	£	£
Salaries	880,737	876,606
Allowances	1,873	949
Expenses	61,777	57,892
Total	**944,387**	**935,447**

Table 3 : Remuneration of Senior Councillors and Conveners and Vice-Conveners of Joint Boards

		2010-11				2009-10	
Councillor Name Senior Councillors	Responsibility	Salary, fees and allowances £	Non-cash & benefits-in-kind £	Other Expenses £	Total Remuneration 2010-11 £	Total Remuneration 2009-10 £	Notes
John Stewart	Leader of the Council	39,753	620	6,327	46,700	36,955	
Peter Stephen	Lord Provost	28,410	1,240	11,000	40,650	35,832	
John Corall	Vice Convener, Housing and Environment (from 6 October 2010)	7,872	108	939	8,919	-	4
Irene Cormack	Convener, Appeals Committee	21,308	462	679	22,449	20,485	
Barney Crockett	Convener, Audit and Risk	28,410	569	495	29,474	27,260	
Kate Dean	Convener, Enterprise Planning and Infrastructure	28,410	565	5,726	34,701	41,004	
Alan Donnelly	Vice Convener, Audit and Risk (from 18 August 2010)	13,194	106	110	13,410	-	
Jackie Dunbar	Depute Provost	21,235	226	1,943	23,404	22,243	8
Jim Farquharson	Vice Convener, Audit and Risk (until 18 August 2010)	8,114	27	-	8,141	19,800	
Neil Fletcher	Convener, Pensions Panel	21,308	714	766	22,788	21,036	1
Muriel Jaffrey	Convener, Licensing Board	21,235	1,074	552	22,861	22,282	
James Kiddie	Convener, Social Care and Wellbeing	28,075	79	1,475	29,629	29,692	
Gordon Leslie	Vice Convener, Social Care and Wellbeing (until 28 February 2011)	19,929	227	2,339	22,495	25,379	5
Aileen Malone	Convener, Housing and Environment	28,410	273	2,382	31,065	27,633	
Andrew May	Convener, Education Culture and Sport (until 15 December 2010)	20,126	887	-	21,013	29,435	
Callum McCaig	Convener, Education Culture and Sport (from 15 December 2010)	23,055	227	163	23,445	21,626	6
Jim Noble	Vice Convener, Corporate Policy and Performance (from 15 December 2010)	6,174	537	-	6,711	-	
John Reynolds	Convener, Licensing	21,308	351	187	21,846	23,848	
Jennifer Stewart	Convener, Corporate Policy and Performance	28,410	616	495	29,521	27,713	
Kevin Stewart	Convener, Finance and Resources	28,075	694	355	29,124	29,677	
John West	Vice Convener, Enterprise Planning and Infrastructure (from 15 December 2010)	21,235	-	-	21,235	20,630	7
Ian Yuill	Vice Convener, Finance and Resources (from 1 July 2010)	15,996	244	635	16,875	-	
Councillors							
Martin Greig	Convener, Grampian Joint Police Board	28,410	515	812	29,737	29,450	2
Mark McDonald	Vice Convener, Grampian Joint Fire and Rescue Board	21,235	645	69	21,949	21,834	3
TOTAL		**529,687**	**11,006**	**37,449**	**578,142**	**533,814**	

Note 1: The amount recharged to North East Scotland Pension Fund in 2010/11 was £5,074 (2009/10 £3,378), Councillor Fletcher was, until 30 June 2010, the Vice Convener of Finance and Resources Committee.

Note 2: The amount recharged to Grampian Joint Police Board in 2010/11 was £12,176 (2009/10 £12,176)

Note 3: The amount recharged to Grampian Joint Fire and Rescue Board in 2010/11 was £5,001 (2009/10 £nil). In 2009/10, and until 6 October 2010, Councillor McDonald was Vice Convener of Housing and Environment Committee.

Note 4: On 6 October 2010 the Council resolved to approve Councillor Corall as the Vice-Convener of Housing and Environment Committee and noted that he would not be accepting a Senior Councillor allowance for the role.

Note 5: The post of Vice-Convener of Social Care and Wellbeing Committee remained unfilled as at 31 March 2011, an appointment being made at the Council meeting of 27 April 2011.

Note 6: Councillor McCaig, prior to his appointment as the Convener of Education, Culture and Sport Committee was Vice Convener of Enterprise, Planning and Infrastructure Committee as such a full year disclosure of remuneration has been made.

Note 7: Councillor West, prior to his appointment as the Vice Convener of Enterprise, Planning and Infrastructure Committee was Vice Convener of Corporate Policy and Performance Committee as such a full year disclosure of remuneration has been made.

Note 8: Councillor Dunbar is also the Depute Convener of Grampian Valuation Joint Board for which no additional remuneration is paid.

Table 4 : Remuneration of Senior Employees of the Council

		2010-11					2009-10	
Name	**Post Title**	**Salary, fees and allowances £**	**Performance Related Pay £**	**Taxable Expenses £**	**Compensation for Loss of Employment £**	**Total Remuneration 2010-11 £**	**Total Remuneration 2009-10 £**	**Notes**
Valerie Watts	Chief Executive (from 1 March 2011)	11,444 (full time equivalent 134,742)	602 (full time equivalent 7,092)	-	-	12,046	-	**1 & 2**
Sue Bruce	Chief Executive (until 31 December 2010)	107,272 (full time equivalent 141,834)	-	-	1,909	109,181	142,966	**3**
Annette Bruton	Director of Education Culture and Sport	107,559	-	-	-	107,559	65,080	
Stewart Carruth	Director of Corporate Governance	107,559	-	-	-	107,559	62,713	
Pete Leonard	Director of Housing and Environment	107,559	-	-	-	107,559	107,970	
Fred McBride	Director of Social Care and Wellbeing	107,559	-	-	-	107,559	81,643	
Gordon McIntosh	Director of Enterprise Planning and Infrastructure	107,559	-	-	-	107,559	107,970	
Barry Jenkins	Head of Finance (s.95 Officer) (from 10 May 2010)	70,236 (full time equivalent 78,639)	-	-	-	70,236	-	
Susan Cooper	City Chamberlain (s.95 Officer) (until 23 May 2010)	10,328 (full time equivalent 71,130)	-	-	26,585 plus Annual Compensation of 861	36,913	69,414	**4**
Jane MacEachran	Head of Legal and Democratic Services (Monitoring Officer)	78,639	-	4	-	78,643	69,803	
Ciaran Monaghan	Head of Service, Office of Chief Executive	75,285	-	-	-	75,285	69,784	
TOTAL		**890,999**	**602**	**4**	**28,494**	**920,099**	**777,343**	

Note 1: The post of Chief Executive during the period 1 January 2011 and 28 February 2011 was undertaken by a nominated Director and no additional remuneration was paid.

Note 2: The value of performance related pay that is shown is the amount that would be applicable to financial year 2010/11 and the full time equivalent value reflects the maximum amount that could be paid for a full year.

Note 3: The value of compensation for loss of employment is in relation to pay in lieu of holidays.

Note 4: The compensation for loss of employment was paid following organisational restructuring of the Council in 2009/10 when a number of existing post holders left the organisation under the voluntary severance / early retirement policy of the Council.

The senior employees included in Table 4 include any Council employee:

- Who has responsibility for management of the Council to the extent that the person has power to direct or control the major activities of the Council (including activities involving the expenditure of money), during the year to which the Report relates whether solely or collectively with other persons;
- Who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989; or
- Whose annual remuneration, including any remuneration from a Council subsidiary body, is £150,000 or more.

Table 5 : Remuneration – the Council's Subsidiary Bodies

		2010-11			2009-10
Name	**Post Title**	**Salary, fees and allowances £**	**Benefits other than in cash £**	**Total Remuneration 2010-11 £**	**Total Remuneration 2009-10 £**
Brian Horsburgh	Chief Executive Aberdeen Exhibition & Conference Centre Ltd	103,307	609	103,916	104,279
TOTAL		**103,307**	**609**	**103,916**	**104,279**

Pension Benefits

Pension benefits for Councillors and local government employees are provided through the Local Government Pension Scheme (LGPS). Aberdeen City Council is a member of the North East Scotland Pension Fund (NESPF).

Councillors' pension benefits are based on career average pay. The Councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.

The scheme's normal retirement age for both Councillors and employees is 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non manual employees.

The tiers and members contribution rates for 2010-11 remain at the 2009-10 rates, (due to negative increase in the cost of living index for 2010-11) and are as follows:

Whole time pay	**Contribution rate 2010-11**	**Contribution rate 2009-10**
On earnings up to and including £18,000	5.5%	5.5%
On earnings above £18,000 and up to £22,000	7.25%	7.25%
On earnings above £22,000 and up to £30,000	8.5%	8.5%
On earnings above £30,000 and up to £40,000	9.5%	9.5%
On earnings above £40,000	12%	12%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not necessarily just their current appointment.

Pension Disclosures:

Table 6 : Details of pension contributions made by the Council to the NESPF on behalf of Senior Councillors and Conveners and Vice-Conveners of Joint Boards, and their individual pension entitlements as at 31 March 2011.

Table 7 : Details of pension contributions made by the Council to the NESPF on behalf of Senior Employees of the Council, and their individual pension entitlements as at 31 March 2011.

Table 8 : Details of pension contributions made by the Council's subsidiary body, Aberdeen Exhibition and Conference Centre Ltd, on behalf of the Chief Executive. Individual pension entitlements are not disclosed as it participates in a money purchase pension scheme.

Table 6 : Pension Benefits – Senior Councillors

Councillor Name	Responsibility	in-year Pension Contributions by ACC: For year to 31 March 2011 £	in-year Pension Contributions by ACC: For year to 31 March 2010 £	Accrued Pension Benefits	As at 31 March 2011 £'000	Difference from 31 March 2010 £'000
Senior Councillors						
John Stewart	Leader of the Council	7,633	6,742	Pension	2	1
				Lump Sum	2	-
Peter Stephen	Lord Provost	5,455	5,426	Pension	2	1
				Lump Sum	2	-
John Corall	Vice Convener, Housing and Environment (from 6 October 2010)	1,511	-	Pension	1	-
				Lump Sum	1	-
Irene Cormack	Convener, Appeals Committee	4,091	3,746	Pension	1	-
				Lump Sum	1	-
Barney Crockett	Convener, Audit and Risk	5,455	4,954	Pension	1	1
				Lump Sum	2	-
Kate Dean	Convener, Enterprise Planning and Infrastructure	5,455	6,031	Pension	2	1
				Lump Sum	3	-
Alan Donnelly	Vice Convener, Audit and Risk (from 18 August 2010)	2,533	-	Pension	3	-
				Lump Sum	8	-
Jackie Dunbar	Depute Provost	4,077	4,051	Pension	1	-
				Lump Sum	2	-
Neil Fletcher	Convener, Pensions Panel	4,091	3,746	Pension	1	-
				Lump Sum	1	-
Muriel Jaffrey	Convener, Licensing Board	4,077	4,051	Pension	1	-
				Lump Sum	2	-
James Kiddie	Convener, Social Care and Wellbeing	5,390	5,356	Pension	2	1
				Lump Sum	2	-
Gordon Leslie	Vice Convener, Social Care and Wellbeing (until 28 February 2011)	3,826	4,051	Pension	1	-
				Lump Sum	2	-
Aileen Malone	Convener, Housing and Environment	5,455	4,954	Pension	1	1
				Lump Sum	2	-
Andrew May	Convener, Education Culture and Sport (until 15 December 2010)	3,864	5,356	Pension	2	-
				Lump Sum	2	-
Callum McCaig	Convener, Education Culture and Sport (from 15 December 2010)	4,427	4,051	Pension	1	-
				Lump Sum	1	-
John Reynolds	Convener, Licensing	4,091	4,453	Pension	1	-
				Lump Sum	2	-
Jennifer Stewart	Convener, Corporate Policy and Performance	5,455	4,954	Pension	1	1
				Lump Sum	2	-
John West	Vice Convener, Enterprise Planning and Infrastructure (from 15 December 2010)	4,077	3,940	Pension	1	-
				Lump Sum	2	-
Ian Yuill	Vice Convener, Finance and Resources (from 1 July 2010)	3,071	3,101	Pension	1	-
				Lump Sum	1	-
Councillors						
Martin Greig	Convener, Grampian Joint Police Board	5,455	5,426	Pension	2	1
				Lump Sum	2	-
Mark McDonald	Vice Convener, Grampian Joint Fire and Rescue Board	4,077	4,070	Pension	1	-
				Lump Sum	2	-
				Pension	**29**	**8**
TOTAL		**93,566**	**88,459**	**Lump Sum**	**44**	**-**

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service and not just their current appointment.

Table 7 : Pension Benefits – Senior Employees

Name	Post Title	In-year Pension Contributions by ACC: For year to 31 March 2011 £	In-year Pension Contributions by ACC: For year to 31 March 2010 £	Accrued Pension Benefits	As at 31 March 2011 £'000	Difference from 31 March 2010 £'000	Notes
Valerie Watts	Chief Executive (from 1 March 2011)	2,197	-	Pension	-	-	
Sue Bruce	Chief Executive (until 31 December 2010)	20,517	27,090	Pension	60	2	1
				Lump Sum	168	-	
Annette Bruton	Director of Education Culture and Sport	20,572	12,335	Pension	61	2	
Stewart Carruth	Director of Corporate Governance	20,572	11,887	Pension	3	2	
Pete Leonard	Director of Housing and Environment	20,572	20,465	Pension	26	2	
				Lump Sum	69	-	
Fred McBride	Director of Social Care and Wellbeing	20,572	15,475	Pension	32	2	
				Lump Sum	84	-	
Gordon McIntosh	Director of Enterprise Planning and Infrastructure	20,572	20,465	Pension	36	2	
				Lump Sum	99	-	
Barry Jenkins	Head of Finance (s.95 Officer) (from 10 May 2010)	13,485	-	Pension	1	1	
Susan Cooper	City Chamberlain (s.95 Officer) (until 23 May 2010)	175,512	13,101	Pension	27	1	2
				Lump Sum	78	3	
Jane MacEachran	Head of Legal and Democratic Services (Monitoring Officer)	15,099	13,332	Pension	29	4	
				Lump Sum	78	9	
Ciaran Monaghan	Head of Service, Office of Chief Executive	14,455	13,329	Pension	27	3	
				Lump Sum	72	5	
TOTAL		**344,125**	**147,479**	**Pension**	**302**	**21**	
				Lump Sum	**648**	**17**	

Note 1: The value shown at 31 March 2011 represents the value of deferred benefits as at Mrs Bruce's date of leaving.

Note 2: The value shown at 31 March 2011 represents the value of accrued benefits as at Ms Cooper's date of leaving. Contributions include the cost of Compensatory Added Years - Annual Pension and Lump Sum - that have a direct impact on the value of pension and lump sum paid to Ms Cooper. There is also a cost, known as Strain on the Fund, which is payable to the North East of Scotland Pension Fund (£170,109), and this represents the cost to the Council of the pension benefit calculation being unaffected by the early payment of pension.

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service and not just their current appointment. This may be enhanced in some cases where the employee has transferred in a previous pension from another pension scheme.

Table 8 : Pension Benefits – the Council's Subsidiary Bodies

		In-year Pension Contributions		Accrued Pension Benefits			
Name	**Post Title**	**For year to 31 March 2011 £**	**For year to 31 March 2010 £**		**As at 31 March 2011 £'000**	**Difference from 31 March 2010 £'000**	**Notes**
Brian Horsburgh	Chief Executive Aberdeen Exhibition & Conference Centre Ltd	28,348	27,527		n/a	n/a	1
TOTAL		**28,348**	**27,527**				

Note 1: Aberdeen Exhibition & Conference Centre Ltd contributes towards a money purchase scheme pension scheme for Mr Horsburgh and therefore all the benefits that may become payable are retirement benefits, the rate and amount of which is calculated by reference to the payments made by the person (or on behalf of the person) and which are not average salary benefits. As a result no accrued pension benefits are shown.

Valerie Watts
Chief Executive

29 June 2011

Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Statutory and Other Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	**Total Usable Reserves £000**	Total Unusable Reserves £000	**Total Council Reserves £000**
Balance at 01 April 2009	**(8,784)**	**(17,126)**	**(5,091)**	**(1,356)**	**(7,230)**	**-**	**-**	**(39,587)**	**(1,010,288)**	**(1,049,875)**
Movement in reserves during 2009/10										
Surplus or (deficit) on provision of services	32,854	-	(7,174)	-	-	-	-	**25,680**	-	**25,680**
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	**-**	54,090	**54,090**
Total Comprehensive Expenditure and Income	**32,854**	*****	**(7,174)**	**-**	**-**	**-**	-	**25,680**	**54,090**	**79,770**
Adjustments between accounting basis & funding basis under regulations (note 5)	(35,801)	-	4969	-	-	-	(277)	**(31,109)**	31,109	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(2,947)**	**-**	**(2,205)**	**-**	**-**	**-**	**(277)**	**(5,429)**	**85,199**	**79,770**
Transfers to/from Earmarked Reserves (note 6)	803	(1,291)	1,770	(1,770)	646	-	-	**158**	(158)	-
Increase/Decrease in 2009/10	**(2,144)**	**(1,291)**	**(435)**	**(1,770)**	**646**	**-**	**(277)**	**(5,271)**	**85,041**	**79,770**
Balance at 31 March 2010 carried forward	**(10,928)**	**(18,417)**	**(5,526)**	**(3,126)**	**(6,584)**	**-**	**(277)**	**(44,858)**	**(925,247)**	**(970,105)**

Movement in Reserves during 2010/11	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Statutory and Other Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	**Total Usable Reserves £000**	Total Unusable Reserves £000	**Total Council Reserves £000**
Surplus or (deficit) on provision of services	(41,344)	-	60,742	-	-	-	-	**19,398**	-	**19,398**
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	**-**	(210,568)	**(210,568)**
Total Comprehensive Expenditure and Income	**(41,344)**	**-**	**60,742**	**-**	**-**	**-**	**-**	**19,398**	**(210,568)**	**(191,170)**
Adjustments between accounting basis & funding basis under regulations (note 5)	30,642	-	(61,564)	-	-	-	25	**(30,897)**	30,897	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(10,702)**	**-**	**(822)**	**-**	**-**	**-**	**25**	**(11,499)**	**(179,671)**	**(191,170)**
Transfers to/from Earmarked Reserves (note 6)	10,341	(5,760)	1,834	763	(7,032)	-	**-**	**146**	(146)	**-**
Increase/Decrease in Year	**(361)**	**(5,760)**	**1,012**	**763**	**(7,032)**	**-**	**25**	**(11,353)**	**(179,817)**	**(191,170)**
Balance at 31 March 2011 carried forward	**(11,289)**	**(24,177)**	**(4,514)**	**(2,363)**	**(13,616)**	**-**	**(252)**	**(56,211)**	**(1,105,064)**	**(1,161,275)**

Comprehensive Income and Expenditure Statement

2009/10 Gross Expenditure £000	2009/10 Gross Income £000	2009/10 Net Expenditure £000		2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000
6,195	(3,293)	2,902	Central Services to the Public	5,840	(3,719)	2,121
42,773	(9,300)	33,473	Cultural and Related Services	38,460	(7,628)	30,832
170,303	(6,496)	163,807	Education Services	198,117	(13,609)	184,508
35,998	(6,371)	29,627	Environmental Services	37,683	(6,568)	31,115
127,991	(120,339)	7,652	Housing Services	193,534	(126,721)	66,813
14,088	(5,204)	8,884	Planning and Development Services	16,840	(6,809)	10,031
27,428	(10,706)	16,722	Roads and Transport Services	27,949	(11,920)	16,029
159,757	(40,230)	119,527	Social Work Services	163,734	(38,067)	125,667
12,345	(55)	12,290	Corporate and Democratic Core	9,061	(13)	9,048
27,926	(14,816)	13,110	Non Distributed Costs	(35,588)	(14,543)	(50,131)
41,484	(900)	40,584	Joint Boards	38,617	(1,874)	36,743
6,120	(6,125)	(5)	Exceptional Items	-	-	-
672,408	**(223,835)**	**448,573**	**Cost Of Services**	**694,247**	**(231,471)**	**462,776**
-	(2,273)	(2,273)	Other Operating Expenditure (note 7)	-	(1,163)	(1,163)
46,426	(7,196)	39,230	Financing and Investment Income and Expenditure (note 8)	41,554	(17,893)	23,661
-	(459,850)	(459,850)	Taxation and Non-Specific Grant Income (note 9)	-	(465,876)	(465,876)
718,834	**(693,154)**	**25,680**	**(Surplus) or Deficit on Provision of Services (note 17)**	735,801	**(716,403)**	**19,398**
		(17,533)	Surplus or deficit on revaluation of non-current assets			(223,948)
		(433)	Surplus or deficit on revaluation of available for sale financial assets			(127)
		72,056	Actuarial gains / losses on pension assets / liabilities			13,507
		54,090	**Other Comprehensive Income and Expenditure**			**(210,568)**
		79,770	**Total Comprehensive Income and Expenditure**			**(191,170)**

Balance Sheet

1 April 2009 £000	31 March 2010 £000		Note	31 March 2011 £000
1,668,786	1,812,195	Property, Plant & Equipment	29	2,025,322
80,648	82,799	Investment Property	27	83,055
1,404	1,187	Intangible Assets	28	801
20,146	20,120	Long Term Investments	32	19,428
22,990	20,792	Long Term Debtors	39	21,862
1,793,974	**1,937,093**	**Long Term Assets**		**2,150,468**
5,000	3,400	Short Term Investments	39	19,750
2,178	1,873	Inventories	33	1,737
42,315	51,452	Short Term Debtors	34	49,195
1,237	2,417	Assets held for sale	32	3,972
50,730	**59,142**	**Current Assets**		**74,654**
(2,677)	(10,150)	Cash and Cash Equivalents	16	(2,508)
(42,788)	(83,604)	Short Term Borrowing	39	(111,684)
(93,425)	(76,251)	Short Term Creditors	35	(91,658)
(679)	(15,508)	Provisions	36	(6,144)
-	(1,683)	PPP Short Term Liabilities	31	(2,526)
(8,917)	(8,196)	Other Short Term Liabilities		(10,798)
-	-	Liabilities in disposal groups	32	-
(148,486)	**(195,392)**	**Current Liabilities**		**(225,318)**

1 April 2009 £000	31 March 2010 £000		Note	31 March 2011 £000
(571)	(448)	Long Term Creditors	39	(322)
(7,507)	(10,943)	Provisions	36	(11,338)
(422,238)	(426,436)	Long Term Borrowing	39	(457,756)
-	(93,179)	PPP Long Term Liabilities	31	(115,452)
(140)	-	Other Long Term Liabilities		-
(215,887)	(299,732)	Pension Liabilities	23	(253,661)
(646,343)	**(830,738)**	**Long Term Liabilities**		**(838,529)**
1,049,875	**970,105**	**Net Assets**		**1,161,275**
(39,587)	(44,859)	Usable reserves	11	(56,212)
(1,010,288)	(925,246)	Unusable Reserves	12	(1,105,063)
(1,049,875)	**(970,105)**	**Total Reserves**		**(1,161,275)**

Barry R Jenkins, B.Acc, CPFA, MBA
Head of Finance
29 June 2011

Cash Flow Statement

2009/10 £000		2010/11 £000
(25,680)	Net surplus or (deficit) on the provision of services	(19,398)
72,570	Adjust net surplus or deficit on the provision of services for non cash movements	97,285
(22,834)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(19,664)
24,056	Net cash flows from Operating Activities (note 13)	58,223
(76,566)	Net cash flows from Investing Activities (note 14)	(110,265)
45,037	Net Cash flows from Financing Activities (note 15)	59,684
(7,473)	Net increase or decrease in cash and cash equivalents	7,642
(2,677)	Cash and cash equivalents at the beginning of the reporting period	(10,150)
(10,150)	**Cash and cash equivalents at the end of the reporting period (note 16)**	**(2,508)**

Notes to the Accounts

1. Accounting Policies

i General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985, section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Where the Council is acting as an agent for another party (eg, in the collection of National Non-Domestic Rate and Water Charges), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

iii Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand as they form an integral part of the Council's cash management.

iv Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

v Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance, or loans fund principal charges). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by loans fund principal charges in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi Employee Benefits

<u>Benefits Payable During Employment</u>

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

<u>Termination Benefits</u>

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Account when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

<u>Post Employment Benefits</u>

Employees of the Council are members of two separate pension schemes:

- the Scottish Teachers' Superannuation Scheme, administered by the Scottish Public Pensions Agency on behalf of the Scottish Government; and
- the Local Government Pension Scheme, administered by Aberdeen City Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Education Service line in the Comprehensive Income and Expenditure Statements is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5%.
- The assets of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - contributions paid to the North East Scotland Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

vii Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

viii Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

ix Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

However, the stock issued by the Council in 1986 is carried at the outstanding principal value and interest is charged at the effective rate of interest.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The Council has provided a number of financial guarantees which are reflected as a contingent liability and disclosed as a note to the Financial Statements. A suitable value is earmarked from the General Fund balance to provide financial backing in the event of there being a call on these guarantees.

x Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

<u>Loans and Receivables</u>

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest – except for the Council's Small Business Loan Scheme) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

<u>Available-for-Sale Assets</u>

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available-for –Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

xi Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xii Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

xiii Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council’s goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

xiv Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at net worth.

xv Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Work-in-progress is subject to an interim valuation at the year end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

xvi Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

xvii Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

xviii Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

<u>The Council as Lessee</u>

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease’s inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset’s estimated useful life.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a rent-free period at the commencement of the lease).

<u>The Council as Lessor</u>

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease liability (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xix Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xx Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others of for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

<u>Recognition</u>

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie, repairs and maintenance) is charged as an expense when it is incurred.

<u>Measurement</u>

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure and vehicles, plant and equipment – depreciated historical cost
- community assets – historical cost or nominal value
- council dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- specialised properties – depreciated replacement cost (DRC)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, the revaluation loss is accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

<u>Impairment</u>

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is not applied to an asset in the year of acquisition nor to expenditure during the year on assets under construction. Assets that are disposed of are fully depreciated in the year of disposal.

Deprecation is calculated on the following bases:

- council dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- infrastructure and vehicles, plant and equipment – straight-line allocation over the useful life.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

xxi Public Private Partnerships (PPP) and Similar Contracts

PPP and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PPP contractor. As the Council is deemed to control the services that are provided under its PPP schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PPP operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PPP operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xxii Provisions, Contingent Liabilities and Contingent Assets

<u>Provisions</u>

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be exposed to liabilities from court cases that could eventually result in the making of a settlement or the payment of compensation, e.g. equal pay claims, or consider that over time the collection of income will become more difficult and thereby fail to secure the full value of the debt, or may have made a decision in relation to changes in service delivery from which costs arise, e.g. redundancy costs.

Estimation techniques are based on previous experience, prevailing economic conditions, aged analysis, expert and specialist advice and current data held by the Council.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxiii Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxiv Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

The Council has in the past taken advantage of 'Consent to Borrow' given by Scottish Ministers under Para1(2) of Schedule 3 of the Local Government (Scotland) Act 1975 to cover equal pay and statutory redundancy costs up to strictly defined limits. The repayment period is 10 years.

xxv VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

Financial Reporting Standard (FRS) 30 *Heritage Assets* has been issued but has not been adopted by the Council. As at 31 March 2011 the Council held works of art in Community Assets at a value of £2.25 million and under the adoption of this Standard there will be reclassification of these assets in 2011/12. It is unknown what the revaluation gains or losses will be that are associated with this.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are (examples):

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council is deemed to control the services provided under the Public Private Partnership arrangements that it has for the 3R's (Reorganise, Renovate, Rebuild) schools project and also to control the residual value of the schools at the end of the agreement. The accounting policies for PPP schemes and similar contracts have been applied to the arrangement and the schools (valued at £149.3 million) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. For example, it is estimated that for a building worth £30 million with a useful life of 35 years, the annual depreciation charge would increase by £25,210 if the useful life had to be reduced by one year.
Provisions	The Council has made a provision of £8.1 million for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.8 to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £19.5 million. However, if another assumption where increase, e.g. pay inflation, by 0.1% then this would result in an increase in the pension liability of £6.2 million. The interaction of assumptions is therefore extremely complex.
Arrears	At 31 March 2011, the Council had a balance of short-term debtors of £88.703 million. A review of significant balances suggested that an allowance for doubtful debts of £39.508 million was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an increase of 2% on the debtor figure would require a further provision of £1.774 million.

This list does not include assets and liabilities that have are carried at fair value based on a recently observed market price.

5. **Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2010/11	**Usable Reserves**				
	General Fund Balance £000	**Housing Revenue Account £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied Account £000**	**Movement in Unusable Reserves £000**
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non current assets	(30,926)	(14,225)	-	-	45,151
Revaluation losses on Property, Plant and Equipment	(20,401)	(77,650)	-	-	98,051
Capital grants and contributions applied	11,810	1,872	-	-	(13,682)
Carrying amount of non current assets sold	(1,262)	(3,557)	-	-	4,819
Statutory provision for the financing of capital spend (3r's)	2,225	-	-	-	(2,225)
Movement in market value of Investment Property	285	-	-	-	(285)
Amortisation of Intangible Assets	(472)	-	-	-	472
Movement in Donated Assets Account	-	-	-	-	-
Revenue expenditure funded from capital under statute	-	-	-	-	-
Transfer grants/conts on impaired spend	-	-	-	-	-
Grants relating to assets disposed of during	-	-	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Loans principal repayments during the year	13,340	2,497	-	-	(15,837)
Capital expenditure charged against the General Fund and HRA balances	-	22,041	-	-	(22,041)

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Receipts Reserve:					
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	5,982	-	(5,982)
Proceeds From Sale of Non Current Assets	1,577	4,643	(6,220)	-	-
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	(73)	(165)	238	-	-
Adjustment involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to CIES	120	-	-	(120)	-
Application of grants to capital financing transferred to the CAA	-	-	-	145	(145)
Adjustment involving the Financial Instruments Adjustment Account:					
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	419	-	-	-	(419)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 12)	30,919	1,828	-	-	(32,747)
Employer’s pensions contributions and direct payments to pensioners payable in the year	25,646	1,185	-	-	(26,831)
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Adjustments in relation to Short-term compensated absences	(2,565)	(33)	-	-	2,598
Total Adjustments	**30,642**	**(61,564)**	**-**	**25**	**30,897**

2009/10	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non current assets	(19,886)	(12,348)	-	-	32,234
Revaluation losses on Property, Plant and Equipment	(33,937)	-	-	-	33,937
Capital grants and contributions applied	17,183	-	-	-	(17,183)
Carrying amount of non current assets sold	(1,162)	(3,128)	-	-	4,290
Statutory provision for the financing of capital spend (3rs)	250	-	-	-	(250)
Movement in market value of Investment Property	2,232	-	-	-	(2,232)
Amortisation of Intangible Assets	-	-	-	-	-
Movement in Donated Assets Account	-	-	-	-	-
Revenue expenditure funded from capital under statute	(4,508)	-	-	-	4,508
Transfer grants/conts on impaired spend	-	-	-	-	-
Grants relating to assets disposed of during	-	-	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Loans principal repayments during the year	11,506	1,473	-	-	(12,979)
Capital expenditure charged against the General Fund and HRA balances	-	14,612	-	-	(14,612)

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Receipts Reserve:					
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	7,250	-	(7,250)
Proceeds From Sale of Non Current Assets	1,986	5,510	(7,496)	-	-
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	(55)	(191)	246	-	-
Adjustment involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to CIES	277	-	-	(277)	-
Application of grants to capital financing transferred to the CAA	-	-	-	-	-
Adjustment involving the Financial Instruments Adjustment Account:					
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	418	-	-	-	(418)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 12)	(39,783)	(2,232)	-	-	42,015
Employer's pensions contributions and direct payments to pensioners payable in the year	28,881	1,345	-	-	(30,226)
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Adjustments in relation to Short-term compensated absences	797	(72)	-	-	(725)
Total Adjustments	**(35,801)**	**4,969**	**-**	**(277)**	**31,109**

6. **Movement in Reserves Statement – Transfers to/from Earmarked Reserves and Other Statutory Funds**

Earmarked Reserves: This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure.

	Balance at 1 April 2009 £000	Transfers In 2009/10 £000	Transfers Out 2009/10 £000	Balance at 31 March 2010 £000	Transfers In 2010/11 £000	Transfers Out 2010/11 £000	Balance at 31 March 2011 £000	Purpose of the Earmarked Reserve
General Fund:								
Energy Efficiency Fund	(583)	(12)	-	(595)	(7)	145	(457)	Pump-prime funding for energy saving schemes
Queens Links Reinstatement Fund	(98)	(1)	-	(99)	(1)	-	(100)	Historic fund in relation to potential reinstatement work at beach
Devolved Education Management	(3,700)	-	-	(3,700)	(50)	-	(3,750)	School funds c/forward £1.62 m; and Community Educ'n Centres £2.13 m
Workforce Reduction / Pension Costs	(8,000)	(1,617)	8,117	(1,500)	-	1,439	(61)	Staff exit costs accounted for at time of decision, leaving date post year end
Ward Budgets	(160)	-	5	(155)	-	82	(73)	Unspent budgets for use by Councillors
Equal Pay Costs	(1,486)	-	530	(956)	-	-	(956)	Costs of settling future costs of equal pay claims
Road Repairs	-	(117)	-	(117)	(1,000)	117	(1,000)	Road repair and maintenance additional sum approved by Finance & Resources
'The Green' Townscape Project	(507)	-	-	(507)	-	-	(507)	Match funding in relation to the Heritage Lottery Funding awarded for works in the Green
Staff Development	(200)	-	200	-	-	-	-	Costs for Staff training & development
Sports Transformation Project	(133)	-	133	-	-	-	-	Unspent funding from 08/09 to progress the move to Sport Aberdeen
City Development Co/BID	(1,909)	(170)	379	(1,700)	-	346	(1,354)	Funding for the City Development Company start-up
Service Redesign Costs	-	(8,900)	-	(8,900)		981	(7,919)	Investment funding to address priority based budgeting options
De-risk the Council	-	-	-	-	(7,060)	-	(7,060)	Cash backing for Council guarantees to external organisations

	Balance at 1 April 2009 £000	Transfers In 2009/10 £000	Transfers Out 2009/10 £000	Balance at 31 March 2010 £000	Transfers In 2010/11 £000	Transfers Out 2010/11 £000	Balance at 31 March 2011 £000	Purpose of the Earmarked Reserve
Revenue Grants Unspent	(350)		162	(188)	(791)	39	(940)	Various revenue grants that remained unspent at year end to which no repayment conditions apply
Total General Fund	**(17,126)**	**(10,817)**	**9,526**	**(18,417)**	**(8,909)**	**3,149**	**(24,177)**	
Housing Revenue Account (HRA):								
Housing repairs	(517)	(175)	-	(692)	(1,916)	692	(1,916)	Repairs ordered prior to the year end
Consultancy Support	(60)	-	60	-	-	-	-	New technology in voids and repairs management
Scottish Secure Tenancy	(250)	-	-	(250)	-	-	(250)	Ongoing costs in relation to SST
Equal Pay and Modernisation	(529)	-	529	-	-	-	-	Funding to address equal pay issues
Pension and Workforce Reduction Costs	-	(213)	-	(213)	-	213	-	Staff exit costs accounted for at time of decision, leaving date post year end
Purchase of internal land/properties	-	(1,897)	-	(1,897)	(700)	2,597	-	Recognition of value of land transferred to housing account from general fund
Central Heating	-	(74)	-	(74)	(123)	-	(197)	Finance lease liability in relation to a long-term lease agreement
Total HRA	**(1,356)**	**(2,359)**	**589**	**(3,126)**	**(2,739)**	**3,502**	**(2,363)**	
Total Earmarked Reserves	**(18,482)**	**(13,176)**	**10,115**	**(21,543)**	**(11,648)**	**6,651**	**(26,540)**	

2009/10	**General Fund £'000**	**HRA £'000**
Total transfers in during the year	(10,817)	(2,359)
Total transfers out during the year	9,526	589
Net Movement in Earmarked Reserves in 2009/2010	**(1,291)**	**(1,770)**

2010/11	**General Fund £'000**	**HRA £'000**
Total transfers in during the year	(8,909)	(2,739)
Total transfers out during the year	3,149	3,502
Net Movement in Earmarked Reserves in 2010/2011	**(5,760)**	**763**

Name of Fund	**Balance at 1 April 2009 £000**	**Transfers In 2009/2010 £000**	**Transfers Out 2009/10 £000**	**Balance at 31 March 2010 £000**	**Transfers In 2010/2011 £000**	**Transfers Out 2010/11 £000**	**Balance at 31 March 2011 £000**	**Purpose of the Statutory Fund**
Capital	(5,026)	(255)	160	(5,121)	(6,952)	146	(11,927)	To meet the capital expenditure and the repayment of the principal on loans.
Insurance	(1,819)	(24)	723	(1,120)	(415)	106	(1,429)	To meet the cost of uninsured claims.
City Improvement	(380)	(6)	48	(338)	(5)	88	(255)	To meet the cost of carrying out improvements to the city as decided by the Council.
Lord Byron	(5)	-	-	(5)	-	-	(5)	To meet the costs of maintaining Lord Byron's statue
Total Statutory and Other Funds	**(7,230)**	**(285)**	**931**	**(6,584)**	**(7,372)**	**340**	**(13,616)**	

<u>Other Statutory Funds:</u> The Council holds a number of other statutory funds; this note sets out the amounts held and a summary of transactions undertaken in the financial year.

7. **Comprehensive Income and Expenditure Statement – Other Operating Expenditure**

2009/10 £000		2010/11 £000
(2,273)	Gains/losses on the disposal of non current assets	(1,163)
(2,273)	**Total**	**(1,163)**

8. **Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure**

2009/10 £000		2010/11 £000
27,422	Interest payable and similar charges	33,429
19,004	Pensions interest cost and expected return on pensions assets	8,125
(305)	Interest receivable and similar income	(421)
(5,963)	Income and expenditure in relation to investment properties and changes in their fair value	(4,031)
(928)	Other investment income	(13,441)
39,230	**Total**	**23,661**

9. **Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Incomes**

2009/10 £000		2010/11 £000
(105,403)	Council tax income	(107,545)
(88,137)	Non domestic rates	(84,155)
(248,850)	Non-ringfenced government grants	(260,374)
(17,460)	Capital grants and contributions	(13,802)
(459,850)	**Total**	**(465,876)**

10. Comprehensive Income and Expenditure Statement – Material Items of Income and Expense

For 2009/10 the Council benefited from additional income in respect of a reclamation of Value Added Tax (VAT) from HM Revenue and Customs following on from claims made in relation to sport and cultural services from prior years. The originating date of the claims in many cases pre-dated the Council and after fees the total received was £6.125 million. For 2010/11 a further £0.738 million was received.

11. Balance Sheet – Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 5 and 6.

12. Balance Sheet – Unusable Reserves

31 March 2010 £000		31 March 2011 £000
(267,976)	Revaluation Reserve	(509,485)
(433)	Available for Sale Financial Instruments Reserve	(560)
(983,484)	Capital Adjustment Account	(877,773)
18,842	Financial Instruments Adjustment Account	18,423
299,732	Pensions Reserve	253,661
8,073	Accumulating Compensated Absences Adjustment Account	10,671
(925,246)	**Total Unusable Reserves**	**(1,105,063)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment [and Intangible Assets]. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10 £000		2010/11 £000	
(239,828)	**Balance at 1 April**		**(267,976)**
-	Upward revaluation of assets	(226,471)	
(17,533)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	2,523	(223,948)
(257,361)	Surplus or deficit on revaluation of non-current assets not posted to the Comprehensive Income and Expenditure Statement (note 12)		(491,924)
(10,615)	Difference between fair value depreciation and historical cost depreciation	3,279	
-	Accumulated gains on assets sold or scrapped	1,529	
-	Amount written off to the Capital Adjustment Account	(22,369)	(17,561)
(267,976)	**Balance at 31 March**		**(509,485)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- re-valued downwards or impaired and the gains are lost
- disposed of and the gains are realised

2009/10 £000		2010/11 £000	
-	**Balance at 1 April**		**(433)**
-	Upward revaluation of investments	(127)	
(433)	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-	
(433)			(127)
-	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		-
(433)	**Balance at 31 March**		**(560)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 £000			2010/11 £000
(1,014,405)	**Balance at 1 April**		**(983,484)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
32,371	• Charges for depreciation and impairment of non current assets	45,151	
32,305	• Revaluation losses on Property, Plant and Equipment	98,051	
-	• Amortisation of intangible assets	472	
4,508	• Revenue expenditure funded from capital under statute	-	
3,833	• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,821	
73,017		148,495	
10,615	Adjusting amounts written out of the Revaluation Reserve	17,563	
83,632	Net written out amount of the cost of non current assets consumed in the year		166,058
	Capital financing applied in the year:		
(7,250)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(5,982)	
-	• Use of the Capital Fund to finance new capital expenditure	(146)	
(160)	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(13,685)	
(12,979)	• Loans Fund principal repayments	(15,838)	
(17,460)	• Application of grants to capital financing from the Capital Grants Unapplied Account	(145)	
-	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	-	
(14,612)	• Capital expenditure charged against the General Fund and HRA balances	(22,041)	
(250)	• Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	(2,225)	
(52,711)			(60,062)
-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(285)
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
(983,484)	**Balance at 31 March**		**(877,773)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. [The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over the next 49 years.

2009/10 £000		**2010/11 £000**	
19,260	**Balance at 1 April**		**18,842**
(418)	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements		
-	Long Term Borrowing – Stepped Loans	(23)	
-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	
-	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(397)	
-	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(420)
18,842	**Balance at 31 March**		**18,422**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pensions funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10 £000		2010/11 £000
215,887	**Balance at 1 April**	**299,732**
72,056	Actuarial gains or losses on pensions assets and liabilities	13,507
42,015	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(32,747)
(30,226)	Employer's pensions contributions and direct payments to pensioners payable in the year	(26,831)
299,732	**Balance at 31 March**	**253,661**

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009/10 £000			2010/11 £000	
	8,798	**Balance at 1 April**		**8,073**
(8,798)		Settlement or cancellation of accrual made at the end of the preceding year	(8,073)	
8,073		Amounts accrued at the end of the current year	10,671	
	(725)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		2,598
	8,073	**Balance at 31 March**		**10,671**

13. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10 £000		2010/11 £000
(25,680)	Net surplus or (deficit) on the provision of services	(19,398)
(25,680)		**(19,398)**
	Adjustment to surplus or deficit on the provision of services for noncash movements:	
32,234	Depreciation	45,151
33,937	Impairment, downward revaluations & non-sale derecognitions	98,051
305	Increase/Decrease in Stock	136
(10,486)	Increase/Decrease in Debtors	(515)
1,348	Increase/decrease in impairment provision for bad debts	1,702
(16,880)	Increase/Decrease in Creditors	17,881
11,789	Payments to Pension fund	(59,578)
4,290	Carrying amount of non-current assets sold	4,819
18,265	Contributions to Other Reserves/Provisions	(8,969)
-	Assets held for sale movement	(1,555)
-	Capital Grants unapplied transactions	(25)
-	Amortisation of Intangible Assets	472
(2,232)	Movement in value of investment properties	(285)
72,570		**97,285**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
1,600	Proceeds from short-term and long-term investments	-
(17,184)	Receipt of Capital Grants and Contributions	(13,682)
(7,250)	Proceeds from the sale of PP&E, investment property and intangible assets	(5,982)
(22,834)		**(19,664)**
24,056	**Net cash flows from operating activities**	**58,223**

14. Cash Flow Statement – Investing Activities

2009/10 £000		2010/11 £000
(100,456)	Purchase of property, plant and equipment, investment property and intangible assets	(113,579)
(544)	Purchase of short-term and long-term investments	(16,350)
-	Other payments for investing activities	-
7,496	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,220
(246)	Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	(238)
-	Proceeds from short-term and long-term investments	-
17,184	Capital grants and contributions received	13,682
-	Other receipts from investing activities	-
(76,566)	**Net cash flows from investing activities**	(110,265)

15. Cash Flow Statement – Financing Activities

2009/10 £000		2010/11 £000
59,301	Cash receipts of short- and long-term borrowing	65,203
-	Other receipts from financing activities	-
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PPP contracts	-
(14,264)	Repayments of short- and long-term borrowing	(5,519)
-	Other payments for financing activities	-
45,037	**Net cash flows from financing activities**	**59,684**

16. Cash Flow Statement – Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2010 £000		31 March 2011 £000
77	Cash held by officers	77
(10,227)	Bank current accounts	(2,585)
-	Short-term deposits with building societies	-
(10,150)	**Total cash and cash equivalents**	**(2,508)**

17. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across Service portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the Comprehensive Income and Expenditure Account)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to portfolios

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:

Portfolio Income and Expenditure 2010/11	**Education, Culture & Sport £000**	**Social Care & Wellbeing £000**	**Housing & Environment £000**	**Enterprise, Planning & Infrastructure £000**	**Corporate Governance £000**	**Total £000**
Fees, charges & other service income	(9,165)	(31,958)	(17,195)	(40,838)	(10,686)	**(109,842)**
Government grants	(2,219)	(5,157)	(57)	(1,194)	(49,514)	**(58,141)**
Total Income	**(11,384)**	**(37,115)**	**(17,252)**	**(42,032)**	**(60,200)**	**(167,983)**
Employee expenses	125,650	47,137	11,073	21,292	23,666	**228,818**
Other service expenses	73,182	107,150	49,030	50,705	62,908	**342,975**
Total Expenditure	**198,832**	**154,287**	**60,103**	**71,997**	**86,574**	**571,793**
Net Expenditure	**187,448**	**117,172**	**42,851**	**29,965**	**26,374**	**403,810**

Portfolio Income and Expenditure 2009/10 Comparative Figures	**Education, Culture & Sport**	**Social Care & Wellbeing**	**Housing & Environment**	**Enterprise, Planning & Infrastructure**	**Corporate Governance**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(12,560)	(35,034)	(15,261)	(41,502)	(12,115)	**(116,472)**
Government grants	(2,292)	(4,517)	(2,865)	1,305	(48,785)	**(57,154)**
Total Income	**(14,852)**	**(39,551)**	**(18,126)**	**(40,197)**	**(60,900)**	**(173,626)**
Employee expenses	132,534	49,628	11,045	22,137	24,340	**239,684**
Other service expenses	60,681	101,737	56,729	48,234	59,173	**326,554**
Total Expenditure	**193,215**	**151,365**	**67,774**	**70,371**	**83,513**	**566,238**
Net Expenditure	**178,363**	**111,814**	**49,648**	**30,174**	**22,613**	**392,612**

Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2009/10 £000	**2010/11 £000**
Net expenditure in the Portfolio Analysis	392,612	403,810
Net expenditure of services and support services not included in the Analysis	(398,295)	(410,631)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	84,672	95,509
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(53,309)	(69,290)
Cost of Services in Comprehensive Income and Expenditure Statement	**25,680**	**19,398**
Amounts relating to Subsidiaries, Associates and Joint Ventures	18,368	(14,075)
Group (Surplus)/Deficit	**44,048**	**5,323**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11	**Portfolio Analysis £000**	**Services and Support Services not in Analysis £000**	**Amounts not reported to mgmt £000**	**Amounts not included in I&E £000**	**Allocation of Recharges £000**	**Cost of Services £000**	**Group Amounts £000**	**Total £000**
Fees, charges & other service income	(109,842)	(73,727)	-	-	(43,494)	**(227,063)**	-	**(227,063)**
Surplus or deficit on associates and joint ventures	-	-	-	-	-	**-**	(14,075)	**(14,075)**
Interest and investment income	-	(331)	-	-	-	**(331)**	-	**(331)**
Income from council tax	-	(107,545)	-	-	-	**(107,545)**	-	**(107,545)**
Government grants and contributions	(58,141)	(346,781)	(16,027)	-	-	**(420,949)**	-	**(420,949)**
Total Income	**(167,983)**	**(528,384)**	**(16,027)**	**-**	**(43,494)**	**(755,888)**	**(14,075)**	**(769,963)**
Employee expenses	228,818	5,521	(30,149)	(26,831)	-	**177,359**	-	**177,359**
Other service expenses	337,058	105,194	(559)	(42,459)	-	**399,234**	-	**399,234**
Support Service recharges	5,917	7,038	-	-	43,494	**56,449**	-	**56,449**
Depreciation, amortisation and impairment	-	-	143,389	-	-	**143,389**	-	**143,389**
Interest Payments	-	-	18	-	-	**18**	-	**18**
Gain or Loss on Disposal of Fixed Assets	-	-	(1,163)	-	-	**(1,163)**	-	**(1,163)**
Total expenditure	**571,793**	**117,753**	**111,536**	**(69,290)**	**43,494**	**775,286**	**-**	**775,286**
Surplus or deficit on the provision of services	**403,810**	**(410,631)**	**95,509**	**(69,290)**	**-**	**19,398**	**(14,075)**	**5,323**

2009/10 comparative figures	Portfolio Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to mgmt £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Group Amounts £000	Total £000
Fees, charges & other service income	(116,472)	(86,782)	162	-	(46,606)	**(249,698)**	-	**(249,698)**
Surplus or deficit on associates and joint ventures	-	-	-	-	-	**-**	18,368	**18,368**
Interest and investment income	-	(81)	-	-	-	**(81)**	-	**(81)**
Income from council tax	-	(105,403)	-	-	-	**(105,403)**	-	**(105,403)**
Government grants and contributions	(57,154)	(338,223)	(17,460)	-	-	**(412,837)**	-	**(412,837)**
Total Income	**(173,626)**	**(530,489)**	**(17,298)**	**-**	**(46,606)**	**(768,019)**	**18,368**	**(749,651)**
Employee expenses	239,684	21,805	41,777	(30,226)	-	**273,040**	-	**273,040**
Other service expenses	320,101	102,013	(3,040)	(23,083)	-	**395,991**	-	**395,991**
Support Service recharges	6,453	8,376	-	-	46,606	**61,435**	-	**61,435**
Depreciation, amortisation and impairment	-	-	66,171	-	-	**66,171**	-	**66,171**
Interest Payments	-	-	21	-	-	**21**	-	**21**
Gain or Loss on Disposal of Fixed Assets	-	-	(2,959)	-	-	**(2,959)**	-	**(2,959)**
Total expenditure	**566,238**	**132,194**	**101,970**	**(53,309)**	**46,606**	**793,699**	**-**	**793,699**
Surplus or deficit on the provision of services	**392,612**	**(398,295)**	**84,672**	**(53,309)**	**-**	**25,680**	**18,368**	**44,048**

18. **Trading Operations**

The Council has established seven trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details of those units are as follows:

		2008/09		2009/10		2010/11	
		£000	£000	£000	£000	£000	£000
Building and Maintenance Provides a range of services, covering all trades, for emergency response and planned maintenance of buildings. This includes the Council's housing stock as well as operational buildings. Cumulative surplus over last three financial years: £4.003 million	Turnover	(19,088)		(18,911)		(20,972)	
	Expenditure	18,116		17,868		16,294	
	Exceptional Items	25		-		-	
	Refunds/(Charges) to Services	972		1,052		736	
	Interest	(33)		(31)		(31)	
	Net (Surplus)/Deficit		(8)		(22)		(3,973)
Environmental Services Provides an integrated service for the collection and delivery for disposal or recycling of refuse from domestic and commercial premises as well as attending to the cleaning of streets, footpaths, car parks and public areas, beach cleaning and the removal of fly tipping. Cumulative surplus over last three financial years: £2.327 million	Turnover	(11,261)		(11,368)		(12,728)	
	Expenditure	10,627		10,126		8,815	
	Exceptional Items	-		-		-	
	Refunds/(Charges) to Services	916		1,156		1,411	
	Interest	-		(10)		(11)	
	Net (Surplus)/Deficit		282		(96)		(2,513)

		2008/09		2009/10		2010/11	
		£000	£000	£000	£000	£000	£000
Road Maintenance Provides a wide range of services for the construction and maintenance of roads for which the Council has a statutory responsibility as well as the installation and maintenance of street lighting, manufacture and erection of road signs and barriers and winter maintenance activities. Cumulative surplus over last three financial years: £0.724 million	Turnover	(8,259)		(9,242)		(9,917)	
	Expenditure	8,309		9,067		8,982	
	Exceptional Items	-		-		-	
	Refunds/(Charges) to Services	138		140		58	
	Interest	-		-		-	
	Net (Surplus)/Deficit		188		(35)		(877)
Maintenance of Grounds Provides a horticultural maintenance service for a wide variety of grounds such as parks and open spaces, cemeteries, sports pitches, golf courses, road verges and amenity areas around Council housing and operational premises. Cumulative surplus over last three financial years: £0.619 million	Turnover	(9,930)		(9,519)		(8,109)	
	Expenditure	9,434		7,801		5,760	
	Exceptional Items	139		-		-	
	Refunds/(Charges) to Services	1,131		1,697		977	
	Interest	-		-		-	
	Net (Surplus)/Deficit		774		(21)		(1,372)
Provision and Management of Car Parking Facilities Responsible for the management and operation of off-street and on-street pay and display parking as well as policing the regime for dealing with decriminalised parking offences. Cumulative surplus over last three financial years: £10.351 million	Turnover	(6,979)		(7,425)		(7,798)	
	Expenditure	3,263		4,662		3,551	
	Exceptional Items	-		473		-	
	Refunds/(Charges) to Services	-		-		-	
	Interest	(39)		(32)		(27)	
	Net (Surplus)/Deficit		(3,755)		(2,322)		(4,274)

		2008/09		2009/10		2010/11	
		£000	£000	£000	£000	£000	£000
Fleet Services Responsible for the repair and maintenance of vehicles. Cumulative surplus over last three financial years: £0.361 million	Turnover	(3,150)		(2,913)		(3,219)	
	Expenditure	2,979		2,748		2,483	
	Exceptional Items	-		-		-	
	Refunds/(Charges) to Services	254		153		304	
	Interest	-		-		-	
	Net (Surplus)/Deficit		83		(12)		(432)
Consolidated results of the other two of the Council's Non-Significant trading units Comprises of catering and cleaning services, which following a review during the year are no longer classed as trading operations. Cumulative deficit over last two financial years: £3,280k	Turnover	(10,285)		(8,765)		-	
	Expenditure	12,965		10,361		-	
	Exceptional Items	-		-		-	
	Refunds/(Charges) to Services	(732)		(16)		-	
	Interest	(29)		-		-	
	Net (Surplus)/Deficit		1,919		1,580		-
Net (Surplus)/Deficit on Trading Operations (excluding Letting of Properties)			**(517)**		**(928)**		**(13,441)**

		2008/09		2009/10		2010/11	
		£000	**£000**	**£000**	**£000**	**£000**	**£000**
Letting of Industrial, Commercial and Other Properties Provides the management and operation of the Council's portfolio of industrial, commercial and miscellaneous land and property holdings which are in the main available for rent on the open market at commercial rates. Cumulative surplus over last three financial years: £12.371 million	Turnover	(6,162)		(7,142)		(6,241)	
	Expenditure	4,898		3,739		3,580	
	Exceptional Items	204		(1,405)		(285)	
	Refunds/(Charges) to Services	-		-		-	
	Interest	(1,317)		(1,155)		(1,085)	
	Net (Surplus)/Deficit		2,377		(5,963)		(4,031)
Net (Surplus)/Deficit on Trading Operations			**(2,894)**		**(6,891)**		**(17,472)**

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement within Financing and Investment Income and Expenditure. The properties held within Letting of Industrial, Commercial and Other Properties are classed as Investment Properties and thus the results of this operation are included within this category.

	2009/10 £000	2010/11 £000
Net (Surplus)/Deficit on trading operations	(6,891)	(17,472)
Investment Properties	(5,963)	(4,031)
Other Trading Operations	(928)	(13,441)
Net surplus credited to Financing and Investment Income and Expenditure (note 8)	(6,891)	(17,472)

19. Agency Services

Under various statutory powers a Council may agree with other local authorities and government departments to do work on their behalf, and likewise certain of the Council's service work may be undertaken on our behalf by other bodies. The main items of agency expenditure and income were as follows:-

Agency Expenditure	**2009/10 £000**		**2010/11 £000**
Payments to voluntary organisations for the provision of home care places	26,098		17,915
Payments to voluntary organisations for the provision of day care	1,697		2,120
Payments to voluntary organisations for the provision of community based care	7,118		17,608
Payments to residential schools	8,209	*	7,259
Payments to other public authorities for the provision of care home places	401		244
Payments to other public authorities for the provision of community based care	1,026	**	1,394
Payment to private organisations for the provision of care home places	31,762		31,590
Payments to private organisations for the provision of day care	748		697
Payments to private sector organisations for the provision of community based care	13,654		14,675
	90,713		93,502

* Re-stated such that all expenditure on residential schools is now drawn together

** Re-stated to include payments to the NHS

Agency Income	**2009/10 £000**	**2010/11 £000**
Receipts from other local authorities for educating children resident outwith Aberdeen City Council	130	184
Income from other local authorities in respect of the provision of public analyst services	453	512
Receipts from Grampian Joint Police Board, Crown Office and other Local Authorities for mortuary and post mortem services	199	178
Receipts from Central Government in respect of trunk roads (including administration) – W.P.R.	(1,903)	(408)
Aberdeenshire Council in respect of W.P.R.	3,157	1,142
Income from other bodies in respect of Aberdeen City and Shire Economic Forum (ACSEF)		
Aberdeenshire Council	147	146
Scottish Enterprise	77	76
Receipts from other bodies for administrative services:		
Scottish Water	654	655
Grampian Joint Police Board	188	220
Grampian Fire Board	-	6
Moray Council	41	96
Highland Council	-	100
Receipts from Aberdeenshire Council for goods supplied	1,251	1,414
	4,394	4,321

20. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors

	2009/10 £000	2010/11 £000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	492	452
Fees payable in respect of other services provided by the appointed auditor during the year	-	-
Total	492	452

21. Termination Benefits

Aberdeen City Council terminated the contracts of 119 employees during 2010/11, incurring liabilities of £1,222,512 (£6,816,483 in 2009/10). Of this total, 106 of the terminated contracts were for Pupil Support Assistants posts as part of the Council's efficiencies programme.

22. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by The Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11, the council paid £9.614 million to the Scottish Government in respect of teachers' pension costs, which represents 14.9% of teachers' pensionable pay. The figure for 2009/10 was £9.660 million representing 14.9% of pensionable pay.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 23.

23. **Defined Benefit Pension Schemes**

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Aberdeen City Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit final arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions relating to post employment benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme £000		Scottish Teachers Superannuation Scheme £000	
Comprehensive Income and Expenditure Statement	**2010/11**	**2009/10**	**2010/11**	**2009/10**
Cost of Services:				
• current service cost	22,776	15,697	-	-
• past service costs	(71,313)	87	(1,481)	1,809
• settlements and curtailments	7,170	5,418	1,976	-
Financing and Investment Income and Expenditure				
• interest cost	57,592	50,616	1,244	1,274
• expected return on scheme assets	(50,711)	(32,886)	-	-

	Local Government Pension Scheme £000		Scottish Teachers Superannuation Scheme £000	
Comprehensive Income and Expenditure Statement	**2010/11**	**2009/10**	**2010/11**	**2009/10**
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(34,486)	38,932	1,739	3,083
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
• actuarial gains and losses	11,458	69,018	2,049	3,438
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(23,028)	107,950	3,788	6,521
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	34,486	(38,932)	(1,739)	(3,083)
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to scheme	21,213	24,846	1,987	1,707
• retirement benefits payable to pensioners	3,631	3,673	-	-

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £198.148 million

Assets and liabilities in relation to post employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Total Liabilities: Local Government Pension Scheme £000		Includes Unfunded Liabilities: £000	
	2010/11	**2009/10**	**2010/11**	**2009/10**
Opening balance at 1 April	(1,014,493)	(702,460)	(41,083)	(31,633)
Current service cost	(22,776)	(15,697)	-	-
Interest cost	(57,592)	(50,616)	(2,237)	(2,162)
Contributions by scheme participants	(7,366)	(7,556)	-	-
Settlements and curtailments	(7,170)	(5,418)	(2,265)	(3,369)
Actuarial gains and (losses)	(39,169)	(235,018)	(994)	(6,278)
Benefits paid	2,276	2,359	2,276	2,359
Past service costs	71,313	(87)	2,390	-
Closing balance at 31 March	**(1,074,977)**	**(1,014,493)**	**(41,913)**	**(41,083)**

	Total Liabilities: Scottish Teachers Superannuation Scheme (All Unfunded) £000	
	2010/11	**2009/10**
Opening balance at 1 April	(23,605)	(18,791)
Interest cost	(1,244)	(1,274)
Settlements and curtailments	(1,976)	-
Actuarial gains and (losses)	(2,049)	(3,438)
Benefits paid	1,987	1,707
Past service costs	1,481	(1,809)
Closing balance at 31 March	(25,406)	(23,605)

Reconciliation of fair value of the scheme (plan) assets:

	Total Assets: Local Government Pension Scheme £000		**Includes Unfunded Assets: £000**	
	2010/11	**2009/10**	**2010/11**	**2009/10**
Opening balance at 1 April	738,366	505,364	-	-
Expected rate of return	50,711	32,886	-	-
Actuarial gains and (losses)	27,711	166,400	-	-
Settlements	-	-	-	-
Employer contributions	24,844	28,519	2,276	2,359
Contributions by scheme participants	7,366	7,556	-	-
Benefits paid	(2,276)	(2,359)	(2,276)	(2,359)
Closing balance at 31 March	846,722	738,366	-	-

	Total Assets: Scottish Teachers Superannuation Scheme (All Unfunded) £000	
	2010/11	**2009/10**
Opening balance at 1 April	-	-
Employer contributions	1,987	1,707
Benefits paid	(1,987)	(1,707)
Closing balance at 31 March	-	-

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £78.422 million (2009/10: £198.886m).

Scheme history

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Present value of liabilities:					
Local Government Pension Scheme	(777,389)	(875,316)	(702,460)	(1,014,493)	(1,074,977)
Scottish Teachers Superannuation Scheme	(18,036)	(19,306)	(18,791)	(23,605)	(25,406)
Fair value of assets in the Local Government Pension Scheme	694,683	702,565	505,364	738,366	846,722
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(83,706)	(172,751)	(197,096)	(276,127)	(228,255)
Scottish Teachers Superannuation Scheme	(18,036)	(19,306)	(18,791)	(23,605)	(25,406)
Total	**(101,742)**	**(192,057)**	**(215,887)**	**(299,732)**	**(253,661)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £253.661 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie, before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £25.762 million. Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2012 are £1.316 million.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for the North East Scotland Pension Fund being based on the latest full valuation of the scheme as at 31 March 2008.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		**Scottish Teachers Superannuation Scheme**	
	2010/11	**2009/10**	**2010/11**	**2009/10**
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.5%	7.5%	-	-
Government Bonds	4.4%	4.5%	-	-
Other Bonds	5.1%	5.2%	-	-
Property	6.5%	6.5%	-	-
Cash/liquidity	0.5%	0.5%	-	-
Other	7.5%	7.5%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.2	22.1	21.3	21.2
Women	24.2	24.1	24.2	24.1
Longevity at 65 for future pensioners:				
Men	23.2	23.1	23.2	23.1
Women	25.1	25	25.1	25
Rate of inflation	3.4%	3.3%	3.3%	3.2%
Rate of increase in salaries	5.15%	5.05%	5.15	5.05%
Rate of increase in pensions	2.9%	3.3%	2.8%	3.2%
Rate for discounting scheme liabilities	5.5%	5.6%	5.4%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	50%	50%

The Scottish Teachers Superannuation Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2010/11 %	**2009/10** %
Equity Investments	79.6	74.0
Government Bonds	4.8	4.5
Other Bonds	3.0	4.5
Property	5.6	9.0
Cash/liquidity	2.7	3.0
Other assets	4.3	5.0
	100.0	100.0

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07 %	**2007/08** %	**2008/09** %	**2009/10** %	**2010/11** %
Differences between the expected and actual return on assets	-	9.6	54.8	22.5	3.3
Experience gains and losses on liabilities	-	-	13.3	-	-

24. **Events After the Balance Sheet Date**

The Draft Statement of Accounts was authorised for issue by the Head of Finance on 29 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. No such adjustments have been required.

25. **Related Parties**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 17 on amounts reported to decision makers.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in the Remuneration Report. The Council nominates elected members to represent the Council on the Boards of many arms length external organisations. During 2010/11 payments to 20 organisations, amounting to £4.9 million (2009/10, 20 organisations, £6.1 million) was paid by means of grant support and for the delivery of services. Approval of these grants and service contracts where undertaken in accordance with Council policies and procedures. Details of all members' interests are disclosed on the Council website at www.aberdeencity.gov.uk

Other Public Bodies

The Council is the administering authority for the North East Scotland Pension Fund and it charged the Pension Fund £1.095 million for this service in 2010/11. (2009/10 £1.156 million)

For 2010/11 the Council paid £22.169 million to the Pension Fund being employer contributions in respect of employees. (2009/10 £25.153 million)

Entities Controlled or Significantly Influenced by the Council

The Council has substantial interests in other entities and the relevant transactions are as follows –

	2010/11		2009/10	
	Receipts £000	**Payments £000**	**Receipts £000**	**Payments £000**
Joint Boards				
Grampian Joint Police Board		22,169		25,153
Grampian Fire Board		13,057		14,970
Grampian Joint Valuation Board		1,517		1,361
AECC/Mountwest Ltd	450	2,876	204	2,065
Common Good	1,967	23	1,646	21
Trust Funds	37	50	37	51
Aberdeen Sports Village		209		518
Sport Aberdeen		5,293		-
Aberdeen Heat & Power		1,401		2,524
NESTRANS		1,583		1,579
SDPA		124		105

26. **Leases**

Council as Lessee

Finance Leases

The Council has installed central heating systems within some of its Council Dwellings under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet within the overall valuation for Council Dwelling and thus the net carrying amounts cannot be separately identified.

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the equipment acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2011	**31 March 2010**
	£000	**£000**
Finance lease liabilities (net present value of minimum lease payments):		
• current	126	123
• non current	322	448
Finance costs payable in future years	32	49
Minimum lease payments	480	620

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		**Finance Lease Liabilities**	
	31 March 2011	**31 March 2010**	**31 March 2011**	**31 March 2010**
	£000	**£000**	**£000**	**£000**
Not later than one year	140	140	126	123
Later than one year and not later than five years	340	480	322	448
Later than five years	-	-	-	-
	480	620	448	571

Operating Leases

The Council has acquired a corporate vehicle by entering into an operating lease with a life of three years.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2011 £000	**31 March 2010 £000**
Not later than one year	9	9
Later than one year and not later than five years	9	18
Later than five years	-	-
	18	27

The Council has considered contract arrangements which may contain implied leases. This identified contracts for social care residential services within which it is considered that the Council has the exclusive use of the care homes that it funds. Thus, there is an implied lease in operation within the funding agreement in place. The nature of the lease is operating as the agreements with the service providers are subject to review within the next three years. Given there is the potential to revoke funding within three years and therefore cease implied control of the properties there is no long term commitment.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2011 £000	**31 March 2010 £000**
Not later than one year	605	605
Later than one year and not later than five years	1,815	2,420
Later than five years	-	-
	2,420	3,025

27. Investment Properties

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement:

	2010/11 £000	2009/10 £000
Rental income from investment property	(7,326)	(8,297)
Direct operating expenses arising from investment property	3,295	2,334
Net gain/(loss)	(4,031)	(5,963)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2010/11 £000	2009/10 £000
Balance at start of the year	82,799	80,648
Additions:		
- Purchases	100	55
- Construction	-	-
- Subsequent expenditure	-	-
Disposals	-	(1,148)
Net gains/losses from fair value adjustments	286	718
Transfers:		
- to/from Inventories	-	-
-to/from Property, Plant and Equipment	(130)	2,526
Other changes	-	-
Balance at end of the year	83,055	82,799

28. Intangible Assets

The Council accounts for its capitalised software licences as intangible assets. Consideration is also given to whether any internally generated software should be included as intangible assets. As at 31 March 2011 no such software has been identified.

Software licences are given a finite useful life based on assessments of the period that the licence is expected to be of use to the Council. The majority of licences have useful life of five years with small number having been assessed as having a ten year useful life. Of the latter, a maximum of 5 years remains of the ten year useful life assigned.

The carrying amount of intangible assets is amortised on a straight-line basis. Of the amortisation charged to revenue in 2011/12, £0.446 million was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2010/11			2009/10		
	Internally Generated Assets	**Other Assets**	**Total**	**Internally Generated Assets**	**Other Assets**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at start of year:						
• Gross carrying amounts	-	2,544	2,544	-	2,346	2,346
• Accumulated amortisation	-	(1,357)	(1,357)	-	(942)	(942)
Net carrying amount at start of year	-	1,187	1,187	-	1,404	1,404
Additions	-	86	86	-	225	225
Other disposals	-	-	-	-	(27)	(27)
Amortisation for the period	-	(472)	(472)	-	(442)	(442)
Other changes	-	-	-	-	27	27
Net carrying amount at end of year	-	801	801	-	1,187	1,187
Comprising:						
• Gross carrying amounts	-	2,630	2,630	-	2,544	2,544
• Accumulated amortisation	-	(1,829)	(1,829)	-	(1,357)	(1,357)
	-	801	801	-	1,187	1,187

29. **Property, Plant and Equipment**

Movements on Balances

Movements in 2010/11:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equip	PPP Assets Included in Property, Plant & Equip
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation									
At 1 April 2010	692,495	955,635	68,994	171,884	19,146	5,193	46,597	**1,959,944**	116,455
Additions	42,847	39,694	7,748	6,661	266	-	41,416	**138,632**	25,477
Donations	-	-	-	-	-	-	-	**-**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	181,218	13,392	-	-	-	-	-	**194,610**	13,652
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(103,682)	(20,514)	-	-	-	-	-	**(124,196)**	(14,531)
Derecognition – Disposals	(2,862)	(233)	(1,408)	-	-	-	-	**(4,503)**	-
Derecognition – Other	-	-	(4,077)	-	-	-	-	**(4,077)**	-
Reclassifications and Transfers	-	(7,134)	-	-	-	17,104	(9,840)	**130**	9,840
Assets reclassified (to)/from Held for Sale	(765)	(2,455)	-	-	-	-	-	**(3,220)**	-
Other movements in Cost or Valuation	-	(5)	-	-	-	-	-	**-**	-
At 31 March 2011	**809,251**	**978,380**	**71,257**	**178,545**	**19,412**	**22,297**	**78,173**	**2,157,315**	**150,893**

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equip	PPP Assets Included in Property, Plant & Equip
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Accumulated Depreciation and Impairment									
At 1 April 2010	(41,039)	(28,855)	(29,195)	(48,508)	-	(152)	-	**(147,749)**	-
Depreciation charge	(14,172)	(16,369)	(8,836)	(5,703)	-	(72)	-	**(45,152)**	(1,593)
Depreciation written out to the Revaluation Reserve	29,179	214	-	-	-	-	-	**29,393**	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	26,032	113	-	-	-	-	-	**26,145**	-
Impairment losses/(reversals)recognised in the Revaluation Reserve	-	-	-	-	-	-	-	**-**	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	**-**	-
Derecognition – Disposals	-	45	1,249	-	-	-	-	**1,294**	-
Derecognition – Other	-	-	4,075	-	-	-	-	**4,075**	-
Reclassifications and Transfers	-	820	-	-	-	(820)	-	**-**	-
Eliminated on reclassification to Assets Held for Sale	-	-	-	-	-	-	-	**-**	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	**-**	-
At 31 March 2011	**-**	**(44,032)**	**(32,707)**	**(54,211)**	**-**	**(1,044)**	**-**	**(131,994)**	**(1,593)**
Net Book Value									
At 31 March 2011	**809,251**	**934,348**	**38,550**	**124,334**	**19,412**	**21,254**	**78,173**	**2,025,322**	**149,300**
At 31 March 2010	**651,456**	**926,780**	**39,799**	**123,376**	**19,146**	**5,041**	**46,597**	**1,812,195**	**116,455**

Property, Plant and Equipment

Comparative Movements in 2009/10:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equip	PPP Assets Included in Property, Plant & Equip
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation									
At 1 April 2009	648,959	873,241	73,256	169,248	18,853	7,256	15,706	**1,806,519**	-
Additions	48,093	105,444	14,456	8,216	293	-	20,442	**196,944**	94,976
Donations	-	-	-	-	-	-	-	**-**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	640	15,736	-	-	-	-	-	**16,376**	20,119
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(381)	(30,779)	-	-	-	-	(566)	**(31,726)**	(231)
Derecognition – Disposals	(2,774)	-	(1,168)	-	-	-	-	**(3,942)**	-
Derecognition – Other	(2)	-	(17,550)	(25)	-	-	-	**(17,577)**	1,591
Reclassifications and Transfers	-	(7,266)	-	(5,555)	-	(2,063)	11,015	**(3,869)**	
Assets reclassified (to)/from Held for Sale	(761)	(740)	-	-	-	-	-	**(1,501)**	-
Other movements in Cost or Valuation	(1,279)	-	-	-	-	-	-	**(1,279)**	-
At 31 March 2010	**692,495**	**955,636**	**68,994**	**171,884**	**19,146**	**5,193**	**46,597**	**1,959,945**	**116.455**

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equip	PPP Assets Included in Property, Plant & Equip
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Accumulated Depreciation and Impairment									
At 1 April 2009	(30,510)	(22,986)	(40,721)	(43,406)	-	(110)	-	**(137,733)**	-
Depreciation charge	(12,016)	(18,129)	(7,177)	(5,127)	-	(76)	-	**(42,525)**	-
Depreciation written out to the Revaluation Reserve	24	1,232	-	-	-	-	82	**1,338**	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	50	10,105	-	-	-	-	522	**10,677**	-
Impairment losses/(reversals)recognised in the Revaluation Reserve	-	-	-	-	-	-	-	**-**	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	**-**	-
Derecognition – Disposals	132	-	1,153	-	-	-	-	**1,285**	-
Derecognition – Other	-	-	17,550	25	-	-	-	**17,575**	-
Reclassifications and Transfers	-	923	-	-	-	34	(604)	**353**	-
Eliminated on reclassification to Assets Held for Sale	-	-	-	-	-	-	-	**-**	-
Other movements in Depreciation and Impairment	1,281	-	-	-	-	-	-	**1,281**	-
At 31 March 2010	**(41,039)**	**(28,855)**	**(29,195)**	**(48,508)**	**-**	**(152)**	**-**	**(147,749)**	**-**
Net Book Value									
At 31 March 2010	**651,456**	**926,780**	**39,799**	**123,376**	**19,146**	**5,041**	**46,597**	**1,812,195**	**116,455**
At 31 March 2009	**618,449**	**850,255**	**32,535**	**125,842**	**18,853**	**7,146**	**15,706**	**1,668,786**	**-**

Capital Commitments

At 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £15.842 million. Similar commitments at 31 March 2010 were £48.587 million. The major commitments are:

- Housing – Upgrading Flat Roofs - £0.290 million
- Housing – Structural Repairs Multi Storeys- £0.946 million
- Housing – Mono Pitched Type Roofs - £0.503 million
- Housing – Lift Replacement - £0.197 million
- Housing – Rewiring - £0.935 million
- Housing – New Build Affordable Housing - £2.509 million

- Non Housing – Duthie Park Biomass Heating - £0.394 million
- Non Housing – Marischal College - £10.067 million

Effects of Changes in Estimates
In 2011/12, the Council made one material change to its accounting estimates for Property, Plant and Equipment:

- From 1 April 2010, consideration is given to whether any significant components with different useful lives exist within material items of property, plant and equipment (PPE). This consideration is activated by revaluations, acquisition expenditure or enhancement expenditure and requires the recognition and de-recognition of components as appropriate. The Council has set a de-minimus threshold of £2.75 million for individual items of PPE above which consideration of significant components is required. Significant components are those representing 25% or more of the overall cost of the asset.

Revaluations
The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out externally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The significant assumptions applied in estimating the fair values are:

- Buildings constructed under PPP arrangements have been valued as if they were assets wholly owned by the Council without any deferment.
- Council Dwellings are valued using the Beacon Method which involves full inspection of a sample of properties (Beacons). Full inspection of properties other than Beacon properties is not considered necessary due to the similarity of the property types covered by the Beacons.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Equipment £000	Surplus Asset £000	Total £000
Valued at fair value as at:					
31 March 2011	77,536	(7,123)	-	-	70,413
31 March 2010	(111)	(9,387)	-	-	(9,498)
31 March 2009	-	15,608	-	-	15,608
31 March 2008	-	41,565	-	-	41,565
31 March 2007	17,585	880	-	-	18,465
Total Revaluation	95,010	41,543	-		136,553

30. **Capital Expenditure and Capital Financing**

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2010/11 £000	2009/10 £000
Opening Capital Financing Requirement	656,897	506,800
Capital investment		
Property, Plant and Equipment	138,632	196,944
Investment Properties	100	55
Intangible Assets	86	225
Investment in Joint Venture	-	544
Revenue Expenditure Funded from Capital under Statute	-	4,508
Sources of finance		
Capital receipts	(6,220)	(7,495)
Government grants and other contributions	(13,686)	(17,183)
Other contributions	(146)	(160)
Sums set aside from revenue:		
• Direct revenue contributions	239	246
• Capital for Current Revenue (CFCR)	(22,041)	(14,612)
• Loans fund principal	(15,701)	(12,975)
Closing Capital Financing Requirement	738,160	656,897
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	10,321	10,321
Increase in underlying need to borrowing (unsupported by government financial assistance)	45,465	44,800
Assets acquired under finance leases	-	-
Assets acquired under PFI/PPP contracts	25,477	94,976
Increase/(decrease) in Capital Financing Requirement	81,263	150,097

31. Public Private Partnerships (PPP) and Similar Contracts

3R's (Reorganise, Renovate, Rebuild) Schools PPP Scheme

2010/11 was the second year of a 30 year PPP contract for the construction or renovation, maintenance and operation of ten schools. The first six schools came into operation during 2009/10 with the remaining four in 2010/10. The Council has rights under the contract to specify the hours and availability of the schools. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct or renovate the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate them. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council has rights to terminate the contract in various circumstances with the consequences of such a termination depending on the reasons for termination.

Property Plant and Equipment

The assets used to provide services at the leisure centres are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in note 29.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PPP contract at 31 March 2011 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2011/12	3,599	2,526	7,165	13,290
Payable within two to five years	17,575	9,911	27,557	55,043
Payable within six to ten years	28,184	13,437	32,092	73,713
Payable within eleven to fifteen years	37,247	14,914	28,869	81,030
Payable within sixteen to twenty years	41,058	21,253	25,343	87,654
Payable within twenty-one to twenty-five years	44,080	30,326	20,325	94,731
Payable within twenty-six to thirty years	26,182	25,611	10,445	62,238
Total	197,925	117,978	151,796	467,699

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2009/10 £000	2010/11 £000
Balance outstanding at start of year	-	94,726
Payments during the year	(250)	(2,225)
Capital expenditure incurred in the year	94,976	25,477
[Other movements]	-	
Balance outstanding at year-end	94,726	117,978

32. **Assets Held for Sale**

	Current		Non Current	
	2010/11 £000	**2009/10 £000**	**2010/11 £000**	**2009/10 £000**
Balance outstanding at start of year	**2,417**	**1,237**	**-**	**-**
Assets newly classified as held for sale:				
• Property, Plant and Equipment	3,286	1,641	-	-
• Intangible Assets	-	-	-	-
• Other assets/liabilities in disposal groups	-	-	-	-
Revaluation losses	(55)	(25)	-	-
Revaluation gains	-	50	-	-
Impairment losses	-	-	-	-
Assets declassified as held for sale:				
• Property, Plant and Equipment	(66)	-	-	-
• Intangible Assets	-	-	-	-
• Other assets/liabilities in disposal groups	-	-	-	-
Assets sold	(1,610)	(486)	-	-
Transfers from non current to current	-	-	-	-
Balance outstanding at year-end	**3,972**	**2,417**	**-**	**-**

33. Inventories

	Consumable Stores & Maintenance Materials		Client Services Work in Progress		Property Acquired or Constructed for Sale		Total	
	2010/11 £000	**2009/10 £000**	**2010/11 £000**	**2009/10 £000**	**2010/11 £000**	**2009/10 £000**	**2010/11 £000**	**2009/10 £000**
Balance outstanding at start of year	**1,457**	**1,660**	**23**	**182**	**393**	**336**	**1,873**	**2,178**
Purchases	13,856	8,595	37,991	39,990	273	315	52,120	48,900
Recognised as an expense in the year	(13,942)	(8,795)	(37,958)	(40,149)	(348)	(258)	(52,248)	(49,202)
Written off balances	(4)	(3)	-	-	(4)	-	(8)	(3)
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
Balance outstanding at year-end	**1,367**	**1,457**	**56**	**23**	**314**	**393**	**1,737**	**1,873**

34. Debtors

	31 March 2011	31 March 2010
	£000	**£000**
Central government bodies	14,238	14,867
Other local authorities	1,762	1,841
NHS bodies	790	673
Public corporations and trading funds	262	43
Other entities and individuals	32,143	34,028
Total	**49,195**	**51,452**

35. Creditors

	31 March 2011 £000	31 March 2010 £000
Central government bodies	(18,867)	(19,313)
Other local authorities	(1,029)	(1,316)
NHS bodies	(1,015)	(686)
Public corporations and trading funds	(78)	(151)
Other entities and individuals	(70,669)	(54,785)
Total	**(91,658)**	**(76,251)**

36. Provisions

2010/11	**Compensation Payments - Equal Pay & Council Voluntary Severance £000**	**Waste Disposal £000**	**Property - Asset Management £000**	**Housing Benefit Subsidy £000**	**Other £000**	**Total £000**
Balance at 1 April 2010	**(21,016)**	**(2,868)**	**(1,226)**	**(662)**	**(679)**	**(26,451)**
Additional provisions made in 2010/11	(2,564)	(975)	(1,250)	(709)	(290)	**(5,788)**
Amounts used in 2010/11	13,857	-	71	236	238	**14,402**
Unused amounts reversed in 2010/11	-	-	-	214	141	**355**
Unwinding of discounting in 2010/11	-	-	-	-	-	**-**
Balance at 31 March 2011	**(9,723)**	**(3,843)**	**(2,405)**	**(921)**	**(590)**	**(17,482)**
Represented by:						
Current provisions	(3,723)	-	(1,010)	(921)	(490)	**(6,144)**
Long term provisions	(6,000)	(3,843)	(1,395)	-	(100)	**(11,338)**

37. Contingent Liabilities

At 31 March 2011 the Council had material contingent liabilities as undernoted:

- **Satrosphere**
- The Council has agreed to provide a guarantee to the Bank of Scotland for the sum of £150,000 in support of an overdraft facility and card transactions until 31 May 2013.
- **Transition Extreme Sports Ltd**
- The Council has agreed to provide a guarantee to the Bank of Scotland in respect of loans of £600,000 and an overdraft facility of £140,000 until May 2012.
- **Aberdeen Heat and Power**
- The Council has agreed to provide a guarantee to the Co-operative Bank in respect of a term loan facility of £1,000,000 repayable over a period of 10 years. The loan outstanding as at 31 March 2011 is £301,830. The Council has also agreed to provide a guarantee in respect of an overdraft facility, for up to £250,000, for a three year period with the Co-operative Bank.
- **Landfill Sites**
- The Council is responsible under environmental legislation for the ongoing monitoring, maintenance and ultimately capping and re-instatement of 3 closed landfill sites.
- For the Ness and Hill of Tramaud Landfill Sites, the monitoring and re-instatement requirements are determined in consultation with the Scottish Environment Protection Agency (SEPA), based on the results of monitoring for pollution. As a result, it is not possible to reliably forecast the ultimate costs. In the meantime, monitoring costs at Ness are being met from revenue whilst costs at Hill of Tramaud are met largely by the Council's waste management services external contractor. These costs are recovered through the tonnage related fee relating to a wide range of services provided through the contract. There are small additional costs relating to changes in the law since the commencement of the contract that are separately charged to the Council. There is no licence in place for the Mill of Dyce Landfill Site regulation of this site being undertaken by the Contaminated Land team within the Council and monitoring is undertaken and paid for by this team.
- Budgets totalling £19.7m in respect of the closed site at Ness have been provided for re-instatement costs over a four year programme. The project has just commenced phase 3 of 4 and allocations for this work has been made in the Council's Non-Housing capital programme. SEPA have accepted the Council's re-instatement and management plans for the site. Works are on schedule for completion in late 2012.
- As indicated above, the Hill of Tramaud site, which closed for waste acceptance in January 2011, is maintained under the Council's contractual arrangements for waste disposal with an external contractor. The Council has alternative arrangements for the disposal of waste now that the site is closed. There are a series of capping and restoration works now required which will be undertaken at the Contractor's cost, except for matters relating to change of law.

- The third site at Mill of Dyce was previously operated by the Council under a lease. The Council has agreed to purchase the site although this has proved to be a protracted legal process. Once the purchase has been completed, an assessment of the environmental monitoring and reinstatement requirements will be carried out. The level of remediation required will be determined through these assessments and a business case will then be prepared for funding through the Non-housing capital fund.

- **Waste Disposal**

- The Council has a long-term contract with an external contractor for the disposal of all relevant waste arising in the City and the operation and maintenance of waste transfer stations, recycling facilities and landfill sites. The contract commenced in September 2000 and is due to run for 25 years.

- As a result of changes in environmental legislation, problems in obtaining planning consents for elements of the contract and changes in operational costs resulting therefrom, the contractor submitted a number of substantial claims in respect of additional costs incurred, of both a revenue and capital nature.

- The Council has engaged specialist consultants to validate the content and value of these claims and following prolonged negotiations, all claims up to March 2008 have been agreed and paid. Additional claims have been submitted for the period April 2008 to March 2010; the potential liability arising from these claims has been provided for in the Accounts to 31 March 2011. It is anticipated that claims will be forthcoming for April 2010 to March 2011 and an estimate of the value of this claim has been provided for in the Accounts to 31 March 2011. There are two further potential claims, for financial provisions and loss of void space. The Non-Housing Capital Fund for 2011/12 includes provision for the settlement of both of these outstanding claims, based on the amounts being claimed by the contractor.

- **AECC - Interest Swap Agreement**

- In May 2002, Mountwest 343 Ltd entered into an Amortising Interest Rate Swap agreement with the Royal Bank of Scotland plc. An interest swap agreement is a contract between two counterparties to exchange fixed interest rate payments for floating interest rate payments, based on a notional cashflow. This type of arrangement is used to hedge against future interest rate movements.

- In this case, the swap agreement was entered into, to protect against interest rate fluctuations on loan repayments. Although the original loan itself has now been repaid, the swap agreement element still remains until March 2023, with interest charged (or paid) quarterly on the difference between a fixed rate of 5.89% and the variable 3 months LIBOR rate.

- In May 2006 Aberdeen City Council agreed, as part of a debt restructuring, to guarantee any future costs arising from the swap agreement mentioned above. The costs in 2010/11 amounted to £534k.

38. **Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 2010/11:

	2010/11 £000	2009/10 £000
Credited to Taxation and Non Specific Grant Income		
Total Revenue Funding Grant	344,529	336,987
Total	**344,529**	**336,987**
Credited to Services		
Housing Benefit Grant	47,721	44,622
Private Sector Housing	-	2,513
Fairer Scotland Fund	-	2,365
S27 Community Justice Grant	2,173	1,949
Council Tax Admin Grant	1,524	1,603
Police Grant	1,874	900
Creative Scotland	521	343
European Funding	50	48
Home Office	35	31
Scottish Government	6,446	3,795
Scottish Natural Heritage	33	27
Sport Scotland	10	194
Other	4	-
Total	**60,391**	**58,390**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

39. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Financial Instruments Balances	**Long-term**		**Current**	
	31 March 2011 £000	**31 March 2010 £000**	**31 March 2011 £000**	**31 March 2010 £000**
Investments				
Loans and receivables	8,571	9,390	19,903	3,521
Available for sale financial assets	10,857	10,730	-	-
Total investments	**19,428**	**20,120**	**19,903**	**3,521**
Debtors				
Loans and receivables	21,862	20,792	-	-
Total Debtors	**21,862**	**20,792**	**-**	**-**
Borrowings				
Financial liabilities at amortised cost	472,528	428,939	97,600	82,042
Overdraft	-	-	2,585	10,226
Total borrowings	**472,528**	**428,939**	**100,185**	**92,268**

Note: Lenders Option/Borrowers Option (LOBO's) of £45.9m have been included in long term borrowing but have a call date in the next 12 months

Income, Expense, Gains and Losses

Financial Instruments Gains/Losses	**2010/11**					**2009/10**				
	Financial Liabilities	**Financial Assets**				**Financial Liabilities**	**Financial Assets**			
	Liabilities measured at amortised cost £000	**Loans and receivables £000**	**Available-for-sale assets £000**	**Assets and Liabilities at Fair Value through Profit and Loss £000**	**Total £000**	**Liabilities measured at amortised cost £000**	**Loans and receivables £000**	**Available-for-sale assets £000**	**Assets and Liabilities at Fair Value through Profit and Loss £000**	**Total £000**
Interest expense	(27,073)	-	-	-	**(27,073)**	(25,476)	-	-	-	**(25,476)**
Losses on de-recognition	-	-	-	-	**-**	-	-	-	-	**-**
Total expense in Surplus or Deficit on the Provision of Services	**(27,073)**	**-**	**-**	**-**	**(27,073)**	**(25,476)**	**-**	**-**	**-**	**(25,476)**
Interest income		233	-	-	**233**	-	305	-	-	**305**
Gains on de-recognition	-	-	-	-	**0**	1,087	-	-	-	**1,087**
Total income in Surplus or Deficit on the Provision of Services	**-**	**233**	**-**	**-**	**233**	**1,087**	**305**	**-**	**-**	**1,392**
Net gain/(loss) for the year	**(27,073)**	**233**	**-**	**-**	**(26,840)**	**(24,389)**	**305**	**-**	**-**	**(24,084)**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2011 of 1.52% to 11.125% for loans from the PWLB and 3.98% to 5.00% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Fair Value of Liabilities	**31 March 2011**		**31 March 2010**	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
PWLB – maturity	371,297	389,599	330,993	381,225
PWLB – annuity	4,411	4,717	7,307	8,068
PWLB – EIP	2,264	2,709	2,656	3,331
LOBOs	94,554	110,509	94,550	114,559
Stock	0	0	2,524	2,749
Bank overdraft	2,585	2,585	10,226	10,226
Short term borrowing	97,600	97,600	72,950	72,950
Other	2	2	2	2
Financial liabilities	**572,713**	**607,721**	**521,208**	**593,110**

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders above current market rates.

Fair Value of Assets	**31 March 2011**		**31 March 2010**	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Cash	77	77	77	77
Deposits with banks/building societies	19,826	19,826	3,400	3,444
Investments in Subsidiaries	10,128	10,128	16,809	16,809
Financial assets	**30,031**	**30,031**	**20,286**	**20,330**

Where the fair value is higher than the carrying amount it is because the Council's portfolio of investments includes fixed rate loans where the interest receivable is higher than the rates of available for similar loans at the Balance Sheet date.

40. **Nature and Extent of Risks Arising from Financial Instruments**

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by Aberdeen City Council in its annual treasury management strategy. Aberdeen City Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by the Council's Treasury Advisers. The Annual Investment Strategy also imposes a maximum sum of £20 million to be invested with a financial institution located within the highest category for a maximum duration of 12 months.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by Aberdeen City Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £19.75m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise. Deposit protection arrangements will limit any losses that might arise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions :

Credit Risk A	**Amount at 31 March 2011 £000**	**Historical experience of default %**	**Historical experience adjusted for market conditions at 31 March 2011 %**	**Estimated maximum exposure to default and uncollectability at 31 March 2011 £000**	**Estimated maximum exposure at 31 March 2010 £000**
	A	B	C	(A X C)	
Deposits with banks and building societies	19,903	0	0	0	0
Investments in Subsidiaries	10,128	0	0	0	0
Customers	16,760	3.96	3.96	664	295
				664	295

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds. The Council does not generally allow credit for customers, however £16.8m is past its due date for payment. The past due amount can be analysed by age as follows:

Credit Risk B	**31 March 2011 £000**	**31 March 2010 £000**
Less than three months	7,272	6,705
Three to six months	940	1,074
Six months to one year	1,640	1,492
More than one year	6,908	6,953
	16,760	16,224

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that not more than 20% of loans are due to mature within any financial year and 50% within any rolling five-year period through a combination of prudent planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

Liquidity Risk	**31 March 2011 £000**	**31 March 2010 £000**
Less than one year	106,001	97,222
Between one and two years	9,531	8,657
Between two and five years	68,243	57,256
Between five and ten years	53,227	43,745
More than ten years	324,329	314,329
	561,331	521,209

In the "More than 10 years" category in the table above there are £45.9 million of LOBOs which have a call date in the next 12 months. All trade and other payables are due to be

paid in less than one year.

Market risk

Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council’s cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	639
Increase in interest receivable on variable rate investments	313
Impact on Surplus or Deficit on the Provision of Services	952
Share of overall impact debited to the HRA	257
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	59,844

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

41. **Loans Fund**

The Loans Fund is the central financing agency of the Council. It is an accounting arrangement which simplifies on the one hand expenditure on various capital projects and, on the other hand, the borrowing of money to finance such projects. Effectively the Council's services borrow from the Loans Fund to finance their capital expenditure and the Loans Fund in turn borrows from the Government through the Public Works Loan Board or from the London Money Market. At the end of each financial year the capital expenditure incurred by services is added to their prior year's expenditure to reflect the total debt owed by each service to the Loans Fund.

Each year the service's accounts repay a proportion of the sums previously borrowed, based on the life of the asset, along with a share of the interest paid on loans and expenses of managing the Loans Fund. All interest and management expenses are initially paid by the Loans Fund and then recharged to service accounts at an average rate which is sufficient to recover each year's expenditure in full. For 2010/11 the average interest rates were 4.62% for capital (2009/10 4.80%), 0.49% for revenue advances (2009/10 0.43%) and 0.03% for expenses (2009/10 0.03%) on raising loans.

The management of all money and capital market transactions in connection with cash and funding resources for the Council has been carried out in accordance with the Council's Treasury Policy Statement as recommended by the CIPFA Code of Practice for Treasury Management in Local Authorities.

BORROWED FROM:

PWLB	Temporary Loans	Mortgage Loans	Other Sources
59.92%	15.75%	15.20%	9.13%
£370.1m	£97.3m	£93.9m	£56.4m

TOTAL LOANS FUND BORROWING: £617.7m as at 31 March 2011

AMOUNTS BORROWED FROM THE LOANS FUND

	£000	%
Arts & Recreation	68,441	11.08
Property & Technical	23,975	3.88
Contracting Services	24,360	3.94
Education	89,843	14.54
Environmental & Cons. Prot.	5,715	0.93
Housing	185,923	30.10
Information Technology	7,293	1.18
Roads	108,527	17.57
Office Accommodation	60,810	9.84
Social Work	20,970	3.40
Other Services	21,849	3.54
	617,706	100.0

LOANS FUND

REVENUE ACCOUNT

2009/10 £000		2010/11 £000
	EXPENDITURE	
25,476	Interest paid to External Bodies	27,073
375	Interest paid to Other Council Accounts	314
141	General Expenses	196
25,992		27,583
	INCOME	
	Interest & Expenses charged to Aberdeen City Council	
15,986	- General Services	17,033
8,298	- Housing Services	8,987
1,403	- Contracting Services	1,330
305	From Temporary Investments	233
25,992		27,583

LOANS FUND

BALANCE SHEET AS AT 31 MARCH

2010 £000		2011 £000
	ASSETS	
	Advances to:	
561,554	Aberdeen City Council for Capital Expenditure	617,706
2	Other Bodies	2
16,392	Rescheduled Premiums	15,995
577,948		633,703
	CURRENT ASSETS	
3,400	Temporary Investments	19,750
26	Sundry Debtors	76
581,374		653,529
	LESS: CURRENT LIABILITIES	
60,140	Temporary Advances from Council Services	80,815
8,411	Sundry Creditors	8,797
10,226	Bank Overdraft	2,585
78,777		92,197
502,597	**NET ASSETS**	561,332

2010 £000		2011 £000
	FINANCED BY:	
333,370	Public Works Loan Board	370,092
93,893	Money Market Loans	93,893
2,505	Stock Issue & Gas Annuities	2
72,829	Temporary Loans	97,345
502,597		561,332

42. Housing Revenue Account Income and Expenditure Statement

2009/10 £000		2010/11 £000	
	Income		
(65,242)	Dwelling Rents	(67,276)	
(2,184)	Non-dwelling Rents	(2,249)	
(930)	Hostel Grant	(229)	
(258)	Other Income	(846)	
(68,614)			(70,600)
	Expenditure		
915	Staff Costs	(2,695)	
915			(2,695)
	Premises Costs:		
23,443	Repairs and Maintenance – Dwelling Houses	19,091	
2,466	Maintenance of amenity areas	2,459	
132	Bad debts written off/provisions	426	
815	Loss of rent vacant periods	916	
839	Other costs	1,213	
27,695			24,105
	Administration Costs:		
7,649	Management and Administration	6,395	
1,097	Other costs	899	
8,746			7,294

2009/10 £000		2010/11 £000	
	Supplies and Services:		
3,123	Communal Lighting and Heating, etc.	3,091	
284	Information Technology	272	
368	Other Costs	164	
3,775			3,527
	Agencies:		
337	Contributions	302	
406	Supporting People Contribution	405	
1,022	Tenant's Participation/Helplines	833	
1,765			1,540
	Capital Charges:		
12,016	Depreciation	14,225	
332	Impairment of Fixed Assets	77,650	
(3)	Government Grants Deferred	-	
12,345			91,875
55,241	**Gross Expenditure**		**125,646**
(13,373)	**Net Cost of HRA Services per Council's Comprehensive Income and Expenditure Account**		**55,046**
126	Corporate and Democratic Core		125
(13,247)	**Net Cost of HRA Services**		**55,171**

2009/10 £000		2010/11 £000
(2,190)	(Gain)/loss on Sale of HRA Fixed Assets	(921)
7,328	Interest payable and similar charges	8,121
(81)	Interest and investment income	(121)
1,016	Pensions interest and return on assets	364
-	Non-Specific Grant Income	(1,872)
(7,174)	**(Surplus)/deficit for the year on HRA Services**	**60,742**

Movement on the Housing Revenue Account Statement

2009/10 £000		Notes	2010/11 £000
(6,447)	Balance on the HRA at the end of the Previous Year		(8,653)
(7,174)	Surplus or (Deficit) for the Year on HRA Income and Expenditure Statement		60,742
4,968	Adjustments between Accounting Basis and Funding Basis Under Statute	1	(61,564)
(2,206)	Net Increase or (Decrease) Before Transfers to or from Reserves		(822)
-	Transfers (to) or from Reserves	2	2,597
(2,206)	Increase or (Decrease) in Year on the HRA		1,775
(8,653)	**Balance on the HRA at the end of the Current Year**		**(6,878)**

Housing Revenue Account Disclosures

1. Adjustments between Accounting Basis and Funding Basis under Statute

2009/10 £000		2010/11 £000
2,190	Gain or loss on sale of HRA non-current assets	921
14,612	Capital expenditure funded by the HRA	22,041
	Transfer to/from the Capital Adjustment Account:	
(12,348)	Depreciation and Impairment	(91,875)
-	Capital Grants and Contributions	1,872
1,473	Repayment of Debt	2,497
(887)	HRA share of contributions to or from the Pensions Reserve	3,013
-	HRA Share of Transfer to/from the Financial Instruments Adjustment Account	-
(72)	Adjustment involving the Accumulating Compensated Absences Adjustment Account	(33)
-	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements (if any)	-
4,968	**Total**	**(61,564)**

2. Transfers (to) or from Reserves

2009/10 £000		2010/11 £000
-	Transfer to/from the General Fund	2,597
-	**Total**	**2,597**

3. Housing Stock

The Council's housing stock at 31 March 2011 was 22,728 (22,866 at 31 March 2010) in the following categories:

2009/10 Number	Type of Property	2010/11 Number
2,298	Sheltered Property	2,259
37	Wardens Property	17
5,032	Cottage	3,868
9,102	Flat	8,984
2,291	Four in Block	2,281
591	Maisonette	581
2,171	Multi Story Flat	2,144
120	Split Level Flat	123
453	Multi Story Maisonette	452
450	Amenity	1,646
219	Homeless	316
22,764	**Sub-Total**	**22,671**
102	Properties off the charge	57
22,866	**HRA Total**	**22,728**
	Other Assets	
1	Hostel	1
248	Garages Sites	247
2,105	Lock Up Garages	2,103
915	Parking Spaces	916
20	Travelling Peoples Sites	20
3,289		**3,287**

4. Rent Arrears

Rent Arrears at 31 March 2011 were *£4,001,000 (£4,578,000* at 31 March 2010).

2009/10 £000		2010/11 £000
3,011	Current Tenant Arrears	2,823
2,803	Former Tenant Arrears	2,505
5,814	Total Rent Arrears	5,328
(1,236)	Prepayments	(1,327)
4,578	**Net Rent Arrears**	**4,001**

5. Impairment of Debtors

In 2010/11 an impairment of £4,581,000 has been provided in the Balance Sheet for irrecoverable rents, a decrease of £425,000 from the provision in 2009/10.

6. Exceptional or Prior Year Adjustments

There are no exceptional or prior year adjustments not disclosed in the statement.

43. **National Non Domestic Rates**

National Non Domestic Rates (NNDR) income is collected by local authorities, but all income is then remitted to the Scottish Government, where it is pooled nationally, and re-distributed back to local authorities along with the Total Revenue Funding Grant.

Occupiers of non-domestic property continue to pay rates based on the valuation of the property as compiled by the Grampian Valuation Joint Board. The non-domestic rate (NDR) poundage for 2010/11, which is set annually by the Scottish Ministers, is 41.4 pence. There is also a small supplement on the poundage rate (0.414 pence) for subjects with a rateable value greater than £29,000 to cover the additional costs of the small business rate relief Scheme. In 2010/11, the NDR poundage was 48.1 pence for subjects with a rateable value below £29,000 and 48.5 pence for those with a rateable value above £29,000.

The table below details the actual levels of NNDR collected by Aberdeen City Council, and the overall increase/decrease between the rates collected and the amount that the Council is entitled to receive under the National Pooling arrangement.

2009/10 £000		2010/11 £000	
(166,847)	Gross Assessments		(183,902)
	Deduct:		
7,667	Reliefs, remissions, etc.	9,080	
251	Provision of bad and doubtful debts	635	
2,758	Disables Persons Relief	2,755	
6,627	Void Relief Grant	7,182	
134	Interest on overpaid rates	4	
2,448	Prior year adjustments	2,515	
3,493	Small Business Rate Relief	3,818	
2,929	Other	2,738	
(140,540)			(155,175)
	Add:		
(180)	Statutory Additions		(164)
(140,720)			(155,339)
	Less:		
52,583	Contribution to the National Non Domestic Rate pool		71,184
88,137	**Net non-domestic rate income transferred to the General Fund**		(84,155)

Aberdeen City Council's Rateable Values at 1 April 2010	**Number of Subjects**	**£**
Shops	2,083	97,265
Public Houses	178	7,906
Offices, Including Banks	2,007	134,790
Hotels etc.	181	13,118
Industrial Factories, Warehouses, Stores	7,106	100,348
Leisure Entertainment, Caravans, Holiday Sites	327	13,281
Garages and Petrol Stations	221	4,477
Cultural	11	761
Sporting Subjects	24	408
Education & Training	174	27,650
Public Service Subjects	577	16,132
Communications (Non Formula)	245	2,109
Quarries, Mines etc.	9	96
Petrochemicals	2	848
Religious	133	2,236
Health Medical	110	12,918
Other	389	4,530
Care Facilities	165	5,494
Advertising	379	454
Undertaking	5	1,626
	14,326	**446,447**

44. Council Tax

Local authorities raise taxes from its residents through the Council Tax – which is a property taxed linked to property values. Each dwelling in Aberdeen City is placed into one of eight valuation bands (A to H), as determined by Grampian Valuation Joint Board. The Council determines the annual tax for a band D property and all other properties are charged a proportion of this, with lower valued properties (Bands A to C) paying less, and higher valued properties (E to H) paying more. All domestic dwellings that appear on the valuation list are liable for a tax, but some circumstances, for example single occupancy, discounts can apply, and some dwellings, for instances students' residences and certain unoccupied dwellings, are exempt.

In 2010/11, for Band D properties, the Council's Council Tax was frozen at £1,230.39. The full range of bandings is set out after the Council Tax Income Account.

Council Tax Income Account

2009/10 £000		**2010/11 £000**	
(131,416)	Gross Assessments	(131,967)	
(369)	Net band adjustments	(281)	
(131,785)	**Council Tax Collectable**		(132,248)
	Deduct:		
9,100	Exemptions	9,508	
69	Disabled Relief	69	
12,813	Discounts	12,347	
4,287	Provisions for non-collection	3,957	
48	Net benefit grant	25	
165	Other	233	26,139
(105,303)			(106,109)
	Add:		
(1,106)	Statutory Additions	(1,200)	
698	Prior Year Adjustments	(339)	
312	CTB Provision for Overpayment	50	
18	Write Offs	71	(1,418)
(105,381)	**Net Council Tax income for the Year**		**(107,527)**
(22)	Arrears of Community Charge (Poll Tax) recovered during the year		(18)
(105,403)	**Net Council Tax income transferred to General Fund**		**(107,545)**

The calculation of the Council Tax Base 2010/11

	Number of Dwellings	Number of Exemptions	Disabled Relief	Discounts 25%	Discounts 50%	Total Dwellings	Ratio to Band D	Band D Equivalents
Band A (subject to disabled relief)			14			14	5/9	8
Band A	22,048	(2,040)	58	(3,221)	(372)	16,473	6/9	10,982
Band B	27,966	(1,689)	(30)	(3,491)	(272)	22,484	7/9	17,487
Band C	17,842	(1,018)	1	(1,619)	(202)	15,004	8/9	13,337
Band D	13,451	(1,387)	16	(1,178)	(287)	10,615	9/9	10,615
Band E	13,514	(365)	(17)	(991)	(200)	11,941	11/9	14,594
Band F	7,937	(163)	5	(454)	(94)	7,231	13/9	10,445
Band G	7,004	(74)	(39)	(282)	(82)	6,527	15/9	10,878
Band H	824	(23)	(8)	(20)	(15)	758	18/9	1,516
					TOTAL			89,862
					Contributions in Lieu			15
					Council Tax Based			89,877

All dwellings fall within a valuation band between A to H which is determined by Grampian Valuation Joint Board. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to Aberdeen City Council, the band D charge for 2010/11 was £1,230.39 (2009/10 £1,230.39)

Property Value (£)	Band	Proportion of Band D	Council Tax Level (£)
27,000 or under	A	6/9	820.26
27,001 – 35,000	B	7/9	956.97
35,001 – 45,000	C	8/9	1,093.68
45,001 – 58,000	D	9/9	1,230.39
58,001 – 80,000	E	11/9	1,503.81
80,001 – 106,000	F	13/9	1,777.23
106,001 – 212,000	G	15/9	2,050.65
Over 212,000	H	18/9	2,460.78

45. **City Improvement Fund**

The City Improvements Fund was created under private act provision by the former Corporation of the City of Aberdeen. The Council can utilise from time to time the monies standing to the credit of the Fund in defraying the cost of carrying out any improvements they may deem expedient. The transactions relate to the management of the fund, and grants for improvements in conservation areas.

2009/10			**2010/11**	
Net Cost		**Gross Cost**	**Income**	**Net Cost**
£000	**REVENUE ACCOUNT**	**£000**	**£000**	**£000**
18	General Properties	49	-	49
-	Conservation Grants/Contributions	40	-	40
(6)	Interest received	-	(5)	(5)
31	Repairs and Maintenance	-	-	-
(43)	Transfer of Surplus/(Deficit) to Reserve Fund	-	(84)	(84)
-		89	(89)	-

2009/10		2010/11		
Total £000	**BALANCE SHEET**	**Reserve Fund £000**	**Conservation Fund £000**	**Total £000**
380	Balance at 1 April	269	68	337
(43)	Add: Surplus/(deficit) from Revenue Account	(45)	(39)	(84)
-	Sale of Assets	-	-	-
-	Increase/(decrease) in Asset Valuation	-	-	-
337	Balance as at 31 March	224	29	253
	REPRESENTED BY:			
5	Land & Property	5	-	5
332	Investments	219	29	248
337		224	29	253

The property portfolio was valued externally in accordance with the Statement of Assets Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors (RICS).

46. IFRS 1 First Time Adoption of International Financial Reporting Standards

These financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. The Code requires that for the first time, Local Authority accounts in 2010/11 should be prepared in accordance with International Financial Reporting Standards (except in instances where the Code allows departures), and the comparative figures for the 2008/09 and 2009/10 Balance Sheets as well as the 2009/10 Comprehensive Income and Expenditure Statement should be restated from UK Generally Accepted Accounting Principles (UK GAAP) where required. The reconciliation to IFRS from the previous UK GAAP accounts is summarised in the tables below.

Although the general requirement is to apply the requirements of IFRS retrospectively, IFRS 1 permits limited exceptions to this requirement. The Code clearly specifies which exemptions from retrospective application are available to local authorities. Therefore, Aberdeen City Council has made use of the following exemptions available under the Code:

Depreciated Historical Cost - The Revaluation Reserve was first introduced in the SORP on 1 April 2007. As part of the transition arrangements to the Revaluation Reserve, the SORP required the reserve to be established with a zero balance on 1 April 2007. The carrying amounts of an Council's assets were deemed to be their depreciated historical cost. The Code preserves this treatment. Paragraph 10.1.1.8 of the Code states that the depreciated historical cost of an asset at 1 April 2009 (the transition date) is its depreciated historical cost at 31 March 2009 under the SORP. With the exception of assets where the carrying amount is restated due to other accounting policy changes (for example, leased assets and non-current assets held for sale), authorities should carry forward depreciated historical cost figures without any restatement. Without this exception, the retrospective application of IAS 16 would have required authorities to have estimated the revaluation reserve balance for each item of property, plant and equipment based on the transactions and events that had occurred since the asset was recognised on the Balance Sheet.

IFRIC 4 Determining Whether an Arrangement Contains a Lease - IFRIC 4 requires authorities to review their contractual arrangements and assess whether these contracts contain, in substance, a lease. Where this is the case, authorities will need to separate the lease from the remainder of the contract, and account for the lease in accordance with IAS 17 and the Code. Where arrangements were in place prior to 1 April 2009 (the transition date), the Code requires authorities to make the assessment of whether an arrangement contains a lease based on the facts and circumstances existing at that date (i.e. 1 April 2009). This approach has been taken due to the complex nature of such arrangements, and the difficulties of establishing what information would have been available at the inception of the arrangement. Instead, authorities can rely on the information available about conditions applying at the transition date.

Restatement of Aberdeen City Council's 2008/09 UK GAAP Balance Sheet on an IFRS basis

	2008/09 UK GAAP Balance sheet £000	Adjustment 1 – IAS 20 £000	Adjustment 2 – IAS 17 £000	Adjustment 3 – IAS 40 £000	Adjustment 4 – IAS 16 & IFRS 5 £000	Adjustment 5 – IAS 19 £000	Adjustment 6 – IAS 7 £000	Adjustment 7 – IAS 37 £000	IFRS based balance sheet on 1 April 2009 £'000
Non-Current Assets									
PPE – Council Dwellings	618,707				-258				618,449
PPE – Other Land & Buildings	840,644			9,611					850,255
PPE – Surplus Assets	0				7,146				7,146
Investment Property	84,438			-9,611	5,821				80,648
Surplus, Held for disposal/Assets Held for Sale	10,470				-10,470				0

	2008/09 UK GAAP Balance sheet £000	Adjustment 1 – IAS 20 £000	Adjustment 2 – IAS 17 £000	Adjustment 3 – IAS 40 £000	Adjustment 4 – IAS 16 & IFRS 5 £000	Adjustment 5 – IAS 19 £000	Adjustment 6 – IAS 7 £000	Adjustment 7 – IAS 37 £000	IFRS based balance sheet on 1 April 2009 £'000
Current Assets									
Assets Held for Sale	0				1,237				1,237
Cash and Bank/ Cash and Cash Equivalents	74						-74		0
Current Liabilities									
Short Term Creditors	-93,776	351	-119			-8,798			-102,342
Provisions	0							-679	-679
Bank Overdraft	-2,751						74		-2,677
Long Term Liabilities									
Government Grant Deferred	-61,987	61,987							0
Provisions	-8,186							679	-7,505
Long Term Creditors	0		-571						-571
Reserves									
General Fund	-25,560	-351							-25,911
HRA General Fund	-6,491		44						-6,447
Revaluation Reserve	-255,516			16,879	-1,192				-239,828
Capital Adjustment Account	-933,900	-61,987	646	-16,879	-2,284				-1,014,405
Accumulating Compensated Absences Adjustment Account	0					8,798			8,798

Adjustment 1 – *IAS 20 Accounting for Government Grants and disclosure of Government assistance* – Under IFRS accounting Aberdeen City Council is required to recognise all grant income in its entirety at the point at which it is received. Therefore all deferred government grants have been written out of the liabilities in the balance sheet, recognised through the I&E and subsequently transferred from the General Fund to the Capital Adjustment Account. A revenue grant classified as a creditor under UK GAAP was recognised as income for the year under IFRS and therefore an adjustment was made to reflect the income in the I&E account.

Adjustment 2 – IAS 17 *Leases* – A lease classified as an operating lease under UK GAAP was subsequently re-categorised as a finance lease under the IFRS standard. This required Aberdeen City Council to recognise the asset on the balance sheet and subsequent creditor at the inception of the lease, and determine the value of the asset and liability at 31 March 2009. The liability has been added to the balance sheet, split between current liabilities and long term liabilities. The asset had been impaired to a zero net book value and therefore there is no adjustment in the assets section of the balance sheet. The debit to the CAA reflects the cost of the depreciation and subsequent impairment which had been reversed out of the HRA General Fund to neutralise the impact in accordance with Statutory requirements. The additional cost to the general fund reflects the greater impact of the interest charges resulting from a finance lease, over the rental payment made under its treatment as an operating lease.

Adjustment 3 – IAS 40 *Investment property* – Under the strict criteria of IAS 40 Aberdeen City Council had £9.863 million of property which had to be re-categorised out of investment property because it did not meet the IFRS requirements to be classified as such and £0.252 million re-categorised into investment property which did meet the requirements. IAS 40 also requires all revaluation gains and losses arising from investment properties to be recognised in the I&E account. Statutory mitigation has been put in place to allow Councils to reverse the impact of these gains and losses from the General Fund to the CAA in order to avoid the Council Tax payer being liable for any losses.

Under UK GAAP the gains and losses on revaluation went through the Revaluation Reserve, and as such there was a requirement under IFRS to transfer this balance to the CAA for the reason explained above.

Adjustment 4 – IAS 16 *Property, Plant and Equipment* and IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* - Under the strict criteria of IFRS 5 Aberdeen City Council had £9.719 million of property re-categorised out of assets held for sale because it did not meet the IFRS requirements to be classified as such. Of this, £5.821 million was re-categorised to investment property and £3.898 million to surplus assets. For those re-categorised to surplus assets IAS 16 requires the assets be held at the carrying value they would have been before being classified as held for sale. This resulted in an upward movement of £3.248 million with corresponding entries in the revaluation reserve and capital adjustment account. A further £0.486 million of properties within council dwellings met the criteria of IFRS 5 and were thus recognised as assets held for sale. In accordance with requirements these properties were revalued prior to re-categorisation.

Adjustment 5 – IAS 19 *Employee Benefits* – Under this IFRS accounting standard, Councils are required to recognise a liability for all holiday pay entitlement that employees had accrued at the financial year end. This liability reflects the difference between the holiday entitlement earned at 31 March and the actual amount of holidays taken. At Aberdeen City Council the excess of holiday entitlement earned over the holidays actually taken by 31 March has resulted in a liability of £8.80 million. The Scottish Government has introduced Statutory Mitigation for this additional cost so that its negative impact can be removed from the General Fund and transferred to a new Accumulating Compensated Absences Adjustment Account. This has been reflected in the adjustment above.

Adjustment 6 – IAS 7 *Cash Flow Statement* – Under IFRS Aberdeen City Council must show cash and cash equivalents as a single balance on the face of the I&E Account. Cash and cash equivalents include the bank balances, petty cash, overdrafts (if they are integral to the cash management of the organisation) and investments due to mature within 3 months of the balance sheet date. Therefore an adjustment was made to consolidate the cash balance with the overdraft balance as the latter is considered by the Council to integral to the day to day cash management of the organisation.

Adjustment 7 – IAS 37 *Provisions, contingent liabilities and contingent assets* – An adjustment has been made to reflect that fact that under IFRS, provisions must be split between current and non-current, which is determined by the expected timescales for the settlement of the liability.

Reconciliation of Aberdeen City Council's 1 April 2009 IFRS Balance Sheet to the 2009/10 IFRS Balance Sheet

	1 April 2009 IFRS Balance sheet £000	UK GAAP in-year balance sheet movements £'000	Adjustment 1 – IAS 20 £000	Adjustment 2 – IAS 17 £000	Adjustment 3 – IAS 40 £000	Adjustment 4 – IAS 16 & IFRS 5 £000	Adjustment 5 – IAS 19 £000	Adjustment 6 – IAS 7 £000	Adjustment 7 – IAS 37 £000	IFRS based balance sheet on 31 March 2010 £'000
Non-Current Assets										
PPE – Council Dwellings	618,449	33,123				-118				651,454
PPE – Other Land & Buildings	850,255	86,952			-6,884	-3,542				926,781
PPE – Surplus Assets	7,146	0				-2,105				5,041
Investment Property	80,648	-4,208			6,884	-525				82,799
Surplus, Held for disposal/Assets Held for Sale	0	-5,390				5,390				0

	1 April 2009 IFRS Balance sheet £000	UK GAAP in-year balance sheet movements £'000	Adjustment 1 – IAS 20 £000	Adjustment 2 – IAS 17 £000	Adjustment 3 – IAS 40 £000	Adjustment 4 – IAS 16 & IFRS 5 £000	Adjustment 5 – IAS 19 £000	Adjustment 6 – IAS 7 £000	Adjustment 7 – IAS 37 £000	IFRS based balance sheet on 31 March 2010 £'000
Current Assets										
Assets Held for Sale	1,237	0				1,180				2,417
Cash and Bank/ Cash and Cash Equivalents	0	3						-3		0
Current Liabilities										
Short Term Creditors	-102,342	17,059	115	-4			725			-84,447
Provisions	-679	0							-14,829	-15,508
Bank Overdraft	-2,677	-7,476						3		-10,150
Long Term Liabilities										
Government Grant Deferred	0	-13,914	13,914							0
Provisions	-7,505	-18,265							14,829	-10,943
Long Term Creditors	-571	0		123						-448
Reserves										
General Fund	-25,911	-3,597	162							-29,345
HRA General Fund	-6,447	-2,087		-119						-8,653
Revaluation Reserve	-239,828	-30,757			2,232	377				-267,976
Capital Adjustment Account	-1,014,405	47,725	-13,914		-2,232	-657				-983,462
Accumulating Compensated Absences Adjustment Account	8,798	0					-725			8,073
Capital Grants Unapplied Account	0	0	-277							-277

Adjustment 1 – *IAS 20 Accounting for Government Grants and disclosure of Government assistance* – Under IFRS accounting Aberdeen City Council is required to recognise all grant income in its entirety at the point at which it is received. Therefore all deferred government grants received in 2009/10 have been written out of the liabilities in the balance sheet, recognised through the I&E and subsequently transferred from the General Fund to the Capital Adjustment and Capital Grants Unapplied Accounts respectively. A revenue grant classified as a creditor under UK GAAP was recognised as income for the year under IFRS and therefore an adjustment was made to reflect the income in the I&E account. A revenue grant recognised as income under UK GAAP was transferred from the General Fund to Capital Grants Unapplied Account under IFRS as the money had not been spent at the year end.

Adjustment 2 – IAS 17 *Leases* – A lease classified as an operating lease under UK GAAP was subsequently re-categorised as a finance lease under the IFRS standard. This required Aberdeen City Council to recognise the asset on the balance sheet and subsequent creditor at the inception of the lease, and determine the value of the asset and liability at 31 March 2009. During 2009/10 the short term creditor was paid, and a transfer was made from long term creditors to short term creditors to reflect the principal element payable in 2010/11. The credit to the General Fund reflects the finance lease charges to the I&E being lower than those recognised under the operating lease.

Adjustment 3 – IAS 40 *Investment property* – During 2009/10 Aberdeen City Council transferred a number of investment properties into other land and buildings in preparation for IFRS, where these assets would not meet the criteria. However, these assets had already been transferred out in the opening IFRS balance sheet. Therefore, in effect they had been removed twice, and as a result this adjustment is to insert them back in to the investment property balance. Under UK GAAP the gains and losses on revaluation went through the Revaluation Reserve, and as such there was a requirement under IFRS to transfer this balance to the CAA for the reason explained above.

Adjustment 4 – IAS 16 *Property, Plant and Equipment* and IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* – During 2009/10 Aberdeen City Council transferred a number of properties between other land and buildings, surplus assets and investment properties in preparation for IFRS, where these assets would not meet the criteria of IFRS 5. However many of these assets had already been transferred in the opening IFRS balance sheet. Therefore, in effect they had been removed twice, and as a result an adjustment was required to reverse this. Adjustments were made in relation to council dwellings to recognise properties meeting the criteria of IFRS 5 as explained above and also to remove the effect of the disposals under UK GAAP for those assets classified as held for sale in the opening IFRS balance sheet. Further adjustments were made to surplus assets to recognise depreciation charges as required by IAS 16 and to investment properties to reverse a revaluation loss effected in the UK GAAP accounts which would not have been applicable under IFRS.

Adjustment 5 – IAS 19 *Employee Benefits* – Under this IFRS accounting standard, Councils are required to recognise a liability for all holiday pay entitlement that employees had accrued at the financial year end. This liability reflects the difference between the holiday entitlement earned at 31 March and the actual amount of holidays taken. At Aberdeen City Council the excess of holiday entitlement earned over the holidays actually taken by 31 March has resulted in a liability of £8.80 million. The Scottish Government has introduced Statutory Mitigation for this additional cost so that its negative impact can be removed from the General Fund and transferred to a new Accumulating Compensated Absences Adjustment Account. At 31 March 2010, the holiday pay accrual was re-calculated and was found to have fallen by £0.725m. As a result this adjustment is to reflect the decrease in the accrual, and a credit to the Accumulating Compensated Absences Adjustment Account to reflect the reduction.

Adjustment 6 – IAS 7 *Cash Flow Statement* – Under IFRS Aberdeen City Council must show cash and cash equivalents as a single balance on the face of the I&E Account. Cash and cash equivalents include the bank balances, petty cash, overdrafts (if they are integral to the cash management of the organisation) and investments due to mature within 3 months of the balance sheet date. Therefore an adjustment was made to consolidate the cash balance with the overdraft balance as the latter is considered by the Council to integral to the day to day cash management of the organisation.

Adjustment 7 – IAS 37 *Provisions, contingent liabilities and contingent assets* – An adjustment has been made to reflect that fact that under IFRS, provisions must be split between current and non-current, which is determined by the expected timescales for the settlement of the liability.

Reconciliation of Aberdeen City Council's 2009/10 SORP based Income and Expenditure Account to an IFRS based Comprehensive Income and Expenditure Statement

	£000	£000
(Surplus) or Deficit on Provision of Services for year ended 31 March 2010 (SORP)		**42,773**
IAS 20 Adjustment - *Accounting for Government Grants and Disclosure of Government Assistance*- Recognition of all the income received in capital grants during 2009/10 (£17.46m) offset by the reversal of the government grant amortisation credited to service expenditure as applied under the SORP (£0.69m).	(14,190)	
IAS 20 Adjustment - *Accounting for Government Grants and disclosure of Government assistance*- Reversal of revenue grants recognised as income under the SORP, because they did not meet the criteria for recognition under the Code, and instead are reflected as creditors.	162	
IAS 17 Adjustment – *Leases* – A re-classification of an operating lease to a finance lease under the Code has resulted in a net credit to the I&E Account. This is because the depreciation and interest charges recognised as expenditure under the Code are less than the service charge that was recognised as expenditure under operating lease treatment.	(119)	

	£000	£000
IAS 40 Adjustment – *Investment Property* – Under the Code all gains and losses on the revaluation of investment properties must be recognised through the I&E Account. Under the SORP, gains and losses were recognised through the revaluation reserve. Therefore this adjustment reflects the revaluation gain of investment properties in 2009/10 going through the I&E account. It should be noted that the gains on revaluation shown in the STRGL has been reduced by a corresponding amount in order to avoid double counting the gain.	(2,232)	
IAS 16 and IFRS 5 Adjustment – *Property, Plant & Equipment and Non-current Assets Held for Sale* – Recognition of depreciation on surplus assets (£0.076m), reversal of revaluations not applicable under IFRS (-£0.325m), reversal of gains on asset sales not applicable under IFRS (£0.231m) and re-classification of revaluations previously recognised in the revaluation reserve (£0.029m).	11	
IAS 19 Adjustment – *Employee Benefits* – The holiday pay accrual was re-calculated at the 2009/10 year end and this resulted in a net reduction of £0.73m on the liability. This adjustment is to reflect the movement on the accrual during the year which has resulted in a credit to the I&E account.	(725)	
TOTAL VALUE OF CODE (IFRS) ADJUSTMENTS		(17,093)
(Surplus) or Deficit on Provision of Services for year ended 31 March 2010 (Code basis)		**25,680**

Common Good

The Common Good stands separate from other accounts and funds of the Council, and could be said to originate in the grant of freedom lands by King Robert the Bruce in 1319. The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. It is invested in land and buildings, such as industrial estates and farms, with any surplus being placed on cash deposit with other local authorities, building societies and the Council's own Loan Funds.

	Common Good Fund £000	Reserves Fund £000	Total Common Good £000
Balance at 1 April 2009	**58,837**	**68**	**58,905**
Movement in Reserves during 2009/10			
Surplus or (deficit) on provision of services	(227)	-	**(227)**
Other Comprehensive Expenditure and Income	4,799	-	**4,799**
Total Comprehensive Expenditure and Income	**4,572**	**-**	**4,572**
Balance at 31 March 2010 carried forward	**63,409**	**68**	**63,477**
Movement in Reserves during 2010/11			
Surplus or (deficit) on provision of services	341	-	341
Other Comprehensive Expenditure and Income	3,365	-	**3,365**
Total Comprehensive Expenditure and Income	**3,706**	**-**	**3,706**
Balance at 31 March 2011 carried forward	**67,115**	**68**	**67,183**

Comprehensive Income and Expenditure Statement

2009/10 Net (Income) Expenditure £000		2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net (Income) Expenditure £000
2	Green Market	-	-	-
17	Official Catering	8	-	8
106	Administration Costs	83	-	83
930	Donations, Grants, Contributions etc.	952	-	952
376	Civic Hospitality	374	-	374
50	Upkeep of Civic Car	51	-	51
137	Funding of International Budget	133	-	133
209	Christmas Illuminations & Festivities	202	-	202
263	Civic Administration Unit	236	-	236
80	Other Projects	85	-	85
209	Miscellaneous Expenditure	219	-	219
151	Greenfern Master plan	3	-	3
49	Youth Activity Funding	49	-	49
71	Exhibitions, Displays and Galas	10	-	10
-	Donation to CLAN	55	-	55
-	Gordon Highlanders Statue	36	-	36
2,650	**Cost Of Services**	**2,496**	**-**	**2,496**
	Other Operating Expenditure:			
(6)	Gains/losses on the disposal of non current assets			(62)
	Financing and Investment Income and Expenditure:			
(2,241)	Investment property income & expenditure			(2,636)
(176)	Interest receivable and other investment income			(139)
227	**(Surplus) or Deficit on Provision of Services**			**(341)**
(4,799)	(Surplus) or deficit on revaluation of fixed assets			(3,365)
(4,799)	**Other Comprehensive Income and Expenditure**			**(3,365)**
(4,572)	**Total Comprehensive Income and Expenditure**			**(3,706)**

Balance Sheet

31 March 2010 £000		31 March 2011 £000
57,418	Investment Property	60,743
6,124	Investments in the Aberdeen City Council Loans Fund	6,541
63,542	**Long Term Assets**	**67,284**
328	Short Term Debtors	361
328	**Current Assets**	**361**
(393)	Short Term Creditors	(462)
(393)	**Current Liabilities**	**(462)**
63,477	**Net Assets**	**67,183**
63,409	Common Good Fund	67,115
68	Reserve Fund	68
63,477	**Total Reserves**	**67,183**

Barry R Jenkins, B.Acc, CPFA, MBA
Head of Finance
29 June 2011

The property portfolio was valued externally in accordance with the Statement of Assets Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors (RICS).

Trust Funds and Endowments

The Council is responsible for the administration of various trusts. They have been created by bequest of evolved through history or by public subscription and are utilised for a variety of benefits such as education and social work, charitable purposes, religious instruction, medical institutions, the upkeep of public works and also the administration of the Guildry. The money earned from the investments of the trusts is used to provide grants, prizes and dux medals for school children and requisites for clients in Social Work homes. As well as administering the trusts, the Council is also the appointed trustee for all the trusts.

This section gives summary details of the income and disbursements relating to these trusts, together with a summary of the balances of the trusts at 31 March 2011 and details of how the balances were invested at that date. A detailed breakdown of the separate individual trust accounts can be obtained from the Head of Finance.

In addition to these trusts there are a number of independent trusts which are separately supported and administered by the council e.g. the Chris Anderson Trust and various Festival Trusts.

MOVEMENT IN FUNDS	Balance as at 31 March 2010 £000	Revaluation of Investments £000	Income £000	Expenditure £000	Balance as at 31 March 2011 £000
Educational Trusts	1,120	10	62	68	1,124
Endowments Funds					
- Educational	641	36	11	1	687
- Social Work	227	12	4	-	243
Bridge Works	641	390	2	2	1,031
Charitable	298	-	5	4	299
Guildry	1,552	520	13	17	2,068
Miscellaneous	1,365	-	20	50	1,335
	5,844	968	117	142	6,787

INVESTMENT OF FUNDS	**As at 31 March 2010 £000**	**As at 31 March 2011 £000**
Invested in:		
Land & Buildings	1,551	2,471
Equities – Listed	707	754
Gilt Edged Securities	34	35
Council Loans Fund	3,166	3,143
Other Investments	400	400
Sundry Debtors less Creditors	(14)	(16)
	5,844	6,787

Barry R Jenkins, B.Acc, CPFA, MBA
Head of Finance
29 June 2011

The property portfolio was valued externally by in accordance with the Statement of Assets Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors (RICS).

Group Movement in Reserves Statement

	Total Usable Reserves £000	Total Unusable Reserves £000	**Total Council Reserves £000**	Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	**Total Reserves £000**
Balance at 1 April 2009	**(39,587)**	**(1,010,288)**	**(1,049,875)**	**200,574**	**(849,301)**
Movement in Reserves during 2009/10					
Surplus or (deficit) on provision of services	25,680	-	**25,680**	18,368	**44,048**
Other Comprehensive Expenditure and Income	**-**	54,090	**54,090**	105,126	**159,216**
Total Comprehensive Expenditure and Income	**25,680**	**54,090**	**79,770**	**123,494**	**203,264**
Adjustments between Group and Council accounts	-	-	**-**	-	**-**
Net Increase /Decrease before Transfers	**25,680**	**54,090**	**79,770**	**123,494**	**203,264**
Adjustments between accounting basis & funding basis under regulations	(31,109)	31,109	**-**	-	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	**(5,429)**	**85,199**	**79,770**	**123,494**	**203,264**
Transfers to/from Earmarked Reserves & Statutory Reserves	158	(158)	**-**	-	**-**
Increase/Decrease in Year	**(5,271)**	**85,041**	**79,770**	**123,494**	**203,264**
Balance at 31 March 2010 carried forward	**(44,858)**	**(925,247)**	**(970,105)**	**324,068**	**(646,037)**
Movement in Reserves during 2010/11					
Surplus or (deficit) on provision of services	19,398	-	**19,398**	(14,075)	**5,323**
Other Comprehensive Expenditure and Income	**-**	(210,568)	**(210,568)**	(9,558)	**(220,126)**
Total Comprehensive Expenditure and Income	**19,398**	**(210,568)**	**(191,170)**	**(23,633)**	**(214,803)**
Adjustments between Group & Council accounts	**-**	-	**-**	-	**-**
Net Increase/Decrease before Transfers	**19,398**	**(210,568)**	**(191,170)**	**(23,633)**	**(214,803)**
Adjustments between accounting basis & funding basis under regulations	**(30,897)**	30,897	**-**	-	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	**(11,499)**	**(179,671)**	**(191,170)**	**(23,633)**	**(214,803)**
Transfers to/from Earmarked Reserves & Statutory Reserves	**146**	(146)	**-**	-	**-**
Increase/Decrease in Year	**(11,353)**	**(179,817)**	**(191,170)**	**(23,633)**	**(214,803)**
Balance at 31 March 2011	**(56,211)**	**(1,105,064)**	**(1,161,275)**	**300,435**	**(860,840)**

Group Comprehensive Income and Expenditure Account

2009/10 Gross Expenditure £000	2009/10 Gross Income £000	2009/10 Net Expenditure £000		2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000
6,195	(3,293)	2,902	Central Services to the Public	5,840	(3,719)	2,121
43,347	(9,313)	34,034	Cultural and Related Services	38,460	(6,757)	31,703
170,356	(6,556)	163,800	Education Services	198,175	(13,682)	184,493
35,998	(6,371)	29,627	Environmental Services	37,683	(6,568)	31,115
128,059	(120,339)	7,720	Housing Services	192,631	(125,760)	66,871
21,728	(10,761)	10,967	Planning and Development Services	22,204	(12,171)	10,033
27,430	(10,716)	16,714	Roads and Transport Services	27,951	(11,922)	16,029
159,775	(40,235)	119,540	Social Work Services	163,717	(38,054)	125,663
15,735	(1,795)	13,940	Corporate and Democratic Core	9,474	810	10,284
27,926	(14,816)	13,110	Non Distributed Costs	(35,588)	(14,543)	(50,131)
41,484	(900)	40,584	Joint Boards	38,617	(1,874)	36,743
6,120	(6,125)	(5)	Exceptional Items	-	-	-
684,153	**(231,220)**	**452,933**	**Cost Of Services**	**699,164**	**(234,240)**	**464,924**
-	(2,282)	(2,282)	Other Operating Expenditure	-	(1,225)	(1,225)
46,492	(9,372)	37,120	Financing and Investment Income and Expenditure	42,030	(20,585)	21,445
-	(459,850)	(459,850)	Taxation and Non-Specific Grant Income	-	(465,876)	(465,876)
730,645	**(702,724)**	**27,921**	**(Surplus) or Deficit on Provision of Services**	**741,194**	**(721,926)**	**19,268**
		16,127	Share of (Surplus) or Deficit on the provision of services by associates and joint ventures			(13,945)
		44,048	**Group (Surplus) / Deficit (note 17)**			**5,323**
		(38,041)	Surplus or deficit on revaluation of fixed assets			(228,281)
		(433)	Surplus or deficit on revaluation of available for sale financial assets			(127)
		72,056	Actuarial gains / losses on pension assets / liabilities			13,507
		125,634	Share of other comprehensive expenditure and income of associates and joint ventures			(5,225)
		159,216	**Other Comprehensive Income and Expenditure**			**(220,126)**
		203,264	**Total Comprehensive Income and Expenditure**			**(214,803)**

Group Balance Sheet

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
1,684,786	1,843,344	Property, Plant & Equipment (note x)	2,055,668
135,226	141,768	Investment Property	146,269
2,854	1,187	Intangible Assets	801
15,530	16,599	Long Term Investments and/or Investments in Associates and Joint Ventures	16,787
6,237	2,482	Long Term Debtors	2,233
1,844,633	**2,005,380**	**Long Term Assets**	**2,221,758**
5,000	3,400	Short Term Investments	19,750
2,297	1,961	Inventories	1,945
43,909	52,862	Short Term Debtors	51,023
980	1,565	Cash and Cash Equivalents	1,946
1,237	2,417	Assets held for sale	3,972
53,423	**62,205**	**Current Assets**	**78,636**
(2,677)	(10,150)	Cash and Cash Equivalents	(2,508)
(38,396)	(79,042)	Short Term Borrowing	(106,741)
(96,956)	(79,624)	Short Term Creditors	(94,924)
(679)	(15,508)	Provisions	(6,144)
-	(1,683)	PPP Short Term Liabilities	(2,526)
(8798)	(8,196)	Other Short Term Liabilities	(10,798)
(147,506)	**(194,203)**	**Current Liabilities**	**(223,641)**
(571)	(448)	Long Term Creditors	(322)
(7,507)	(10,943)	Provisions	(11,338)
(422,296)	(426,471)	Long Term Borrowing	(457,778)
(254,066)	(395,827)	Liabilities in Associates and Joint Ventures	(376,657)
-	(93,179)	PPP Long Term Liabilities	(115,452)
(921)	(745))	Other Long Term Liabilities	(705)
(215,887)	(299,732)	Pension Liabilities	(253,661)
(801,248)	**(1,227,345)**	**Long Term Liabilities**	**(1,215,913)**
849,302	**646,037**	**Net Assets**	**860,840**

Group Balance Sheet

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
(39,587)	(44,859)	Usable Reserves	(56,212)
(1,010,288)	(925,246)	Unusable Reserves	(1,105,063)
200,573	324,068	Group Reserves	300,435
(849,302)	**(646,037)**	**Total Reserves**	**(860,840)**

Barry R Jenkins, B.Acc, CPFA, MBA
Head of Finance
29 June 2011

Group Cash Flow

2009/10 £000		2010/11 £000
(44,048)	Net surplus or (deficit) on the provision of services	(5,323)
92,006	Adjust net surplus or deficit on the provision of services for non cash movements	84,308
(25,086)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(20,164)
22,872	Net cash flows from Operating Activities (Note vi)	58,821
(74,490)	Net cash flows from Investing Activities (note vii)	(110,477)
44,730	Net Cash flows from Financing Activities (note viii)	59,679
(6,888)	Net increase or decrease in cash and cash equivalents	8,023
(1,697)	Cash and cash equivalents at the beginning of the reporting period	(8,585)
(8,585)	**Cash and cash equivalents at the end of the reporting period (note ix)**	**(562)**

Notes to the Group Accounts

Note i Group Accounting Policies & Nature of Consolidation

The group accounting policies are those specified for the single entity financial statements; where materially different accounting policies of group members have been aligned to those of the single entity. The accounting policies of all group members are materially the same as those of the single entity; except in the following cases:

> The difference in the recognition of land and buildings by Aberdeen Sports Village (ASV). Aberdeen City Council revalues its assets at the point they become operational, while the Sports Village continues to hold them at historic cost, net of depreciation, until they are revalued as part of a 5 year cycle of revaluations, following which the accounting policy will become aligned. As at 31 March 2011, and due to the nature and age of the buildings it is anticipated that there would be no material impact of undertaking a revaluation as at the point of the assets becoming operational.

Aberdeen Exhibition and Conference Centre Ltd, Mountwest 343 Ltd and Aberdeen Sports Village Ltd are not required to prepare their financial statements on an IFRS basis and on the grounds of materiality no consolidation adjustments have been made to the group accounts.

The Group Accounts have been prepared on the basis of a full consolidation of financial transactions and balances of the Council and its subsidiaries. This means the transactions and balances of the Council and the subsidiaries have been consolidated on a line-by-line basis. Associates have been incorporated using the equity method where the Council's investment in the associates is adjusted each year by the Council's share of the associate's results and other gains and losses. Joint Ventures have been incorporated using the gross equity method.

The accounting periods for all entities are from 1 April 2010 to 31 March 2011, with the exception of ASV Ltd, whose accounting year-end is 31 July in line with that of its other shareholder, The University of Aberdeen. ASV Ltd has been incorporated on the basis amalgamating data from the financial statements produced at 31 March 2010, 31 July 2010 and 31 March 2011. This means that a 12 month period of activity is incorporated into the Group Accounts.

The values stated in the Group Accounts have been adjusted for the elimination of intergroup transactions and balances including debtors/creditors and loans of £28.2 million to AECC.

Note ii Disclosure of Interest in Other Entities

The Council has adopted the recommendations of Chapter 9 of the Code, which requires local authorities to consider their interests in all types of entity to incorporate into Group Accounts. A full set of group account, in addition to the Council's accounts, has been prepared which incorporates material balances from identified subsidiaries, associates and joint ventures.

Aberdeen City Council has an interest in a number of Subsidiary, Associate companies and a Joint Venture. The most significant of these companies in terms of the size of trading operations and other factors are included in the Group Accounts.

The business combination for the Group Accounts includes Subsidiaries – Aberdeen Exhibition and Conference Centre Limited (AECC) 100%, Mountwest 343 Limited 100%, Common Good 100% and Trust Funds 100%. Also included are Associates – Grampian Joint Police Board 48%, Grampian Joint Fire and Rescue Board 49%, Grampian Valuation Joint Board 39%. The Joint Venture with the University of Aberdeen is in Aberdeen Sports Village Limited 50%.

Subsidiaries

Aberdeen Exhibition and Conference Centre Limited (AECC)

AECC is wholly owned and controlled by Aberdeen City Council who are represented on the board of directors. The Council holds a 100% shareholding, comprising 1,865,000 £1 ordinary shares fully paid up, in Aberdeen Exhibition and Conference Centre Limited (AECC) to provide buildings for the conduct of exhibitions, conferences and other events.

Mountwest 343 Limited

At 31 March 2011, the parent company of Mountwest 343 Limited was AECC and the ultimate parent undertaking was Aberdeen City Council who are represented on the board of directors of the holding company. The principal activity of the company is the rental of the redeveloped AECC.

Common Good

The voting rights held by Aberdeen City Council are 100%.

The Common Good stands separate from other accounts and funds of the Council, and could be said to originate in the grant of freedom lands by King Robert the Bruce in 1319. The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. It is invested in land, buildings, industrial estates, and farms with any surplus being placed on cash deposit with other local authorities, building societies and the Council's own Loans Fund.

Trust Funds

The Council is responsible for the administration of various trusts, the proportion of voting rights held by Aberdeen City Council being 100%. They have been created by bequest or evolved through history or by public subscription and are utilised for a variety of benefits such as education and social work, charitable purposes, religious instruction, medical institutions, the upkeep of public works and also the administration of the Guildry. The money earned from the investments of the Trusts is used to provide grants, prizes and dux medals for school children and requisites for clients in Social Work homes. As well as administering the trusts, the Council is also the appointed trustee for all the trusts.

In addition to these trusts there are a number of independent trusts which are separately supported and administered by the Council e.g. the Chris Anderson Trust and various Festival trusts.

Joint Ventures

Aberdeen City Council holds a 50% share in Aberdeen Sports Village Limited (ASV), a company limited by guarantee and registered as a charity. This is a joint venture company owned equally by the Council and The University of Aberdeen. The relationship is treated as a joint venture and accounted for using the gross equity method, such that 50% of the company's gross assets and liabilities are incorporated within the Group Balance Sheet of the Council and 50% of its net income is reported in the Council's Group Income and Expenditure Accounts.

ASV Ltd was incorporated on 17 July 2007 and its objects are to provide sports and recreational facilities, including elite sports facilities for the use of both students and staff of the University of Aberdeen and the general public, and the advancement of public participation in sport.

Associates

Aberdeen City Council incorporate the following Associates in their group financial statements;

Grampian Joint Fire and Rescue Board	49%
Grampian Joint Police Board	48%
Grampian Valuation Joint Board	39%

There is no share capital issued by the 3 Joint Boards, and therefore the consolidation proportion was based on the level of contribution Aberdeen City Council provided to each individual Board.

The Grampian Joint Fire and Rescue Board was created by Statutory Instrument and came into operation on 1 April 1996 to administer the fire service provision for the local government areas of Aberdeenshire, Aberdeen City and Moray.

The Grampian Joint Police Board was created by a Statutory Instrument in 1995, known as 'The Grampian Combined Police Area Amalgamation Scheme Order 1995' and came into operation on 1 April 1996, to administer the policing provision for the new local government areas of Aberdeen City, Aberdeenshire and Moray.

The Grampian Valuation Joint Board was created following Local Government Re-organisation on 1 April 1996, under the Local Government (Scotland) Act 1994 and covers the local government areas of Aberdeenshire, Aberdeen City and Moray.

Distribution of Reserves

With the exception of Aberdeen Sports Village, there is no significant statutory, contractual or exchange control restrictions on the ability of an associate to distribute its reserves. Aberdeen Sports Village's reserves are mainly funded from Sportscotland and are restricted to the provision of sport in the area. As a charity unrestricted reserves may be transferred to some other charitable body or bodies whose objects are similar to the object of Aberdeen Sports Village.

Note iii Financial Impact of Consolidation

The effect of inclusion of the subsidiary, associate and joint venture entities on the Group Balance Sheet is to reduce both Reserves and Net Assets by £289.579 million (£313.338 million in 2009/10).

Note iv Group Entities

The financial performance of each of the group entities included within the Group Accounts was as follows:

For the financial year 2010/11

	ACC Control	Commitment to meet accumulated deficits	Net Assets/ (liabilities)	Surplus / (deficit) for the year	The accounts can be acquired from
Subsidiaries			**£000**	**£000**	
Aberdeen Exhibition and Conference Centre	100%	100%	1,212	(330)	AECC, The Conference Centre, Bridge of Don, Aberdeen
Mountwest 343 Limited	100%	100%	1,040	144	AECC, The Conference Centre, Bridge of Don, Aberdeen
Common Good	100%	100%	67,183	341	Head of Finance, Aberdeen City Council
Trust Funds	100%	100%	6,787	(25)	Head of Finance, Aberdeen City Council
Joint Ventures					
Aberdeen Sports Village Limited	50%	50%	21,713	252	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
Associates					
Grampian Joint Fire and Rescue Board	49%	49%	(111,303)	6,209	Grampian Fire and Rescue Service, 19 North Anderson Drive, Aberdeen AB15 6DW
Grampian Joint Police Board	48%	48%	(668,459)	21,016	Grampian Joint Police Board, Finance Department, Woodhill House, Westburn Road, Aberdeen AB16 5AB
Grampian Valuation Joint Board	39%	39%	(3,227)	1,767	The Treasurer, Grampian Valuation Joint Board, c/o Moray Council, Council Offices, High Street, Elgin IV20 1BX

For the financial year 2009/10

	ACC Control	Commitment to meet accumulated deficits	Net Assets/ (liabilities)	Surplus / (deficit) for the year	Audit Opinion
Subsidiaries			**£000**	**£000**	
Aberdeen Exhibition and Conference Centre	100%	100%	1,542	(2,203)	Unqualified
Mountwest 343 Limited	100%	100%	896	205	Unqualified
Common Good	100%	100%	63,477	(227)	Unqualified
Trust Funds	100%	100%	5,844	(16)	Unqualified
Joint Ventures					
Aberdeen Sports Village Limited	50%	50%	21,460	641	Unqualified
Associates					
Grampian Joint Fire and Rescue Board	49%	49%	(119,744)	(4,768)	Unqualified
Grampian Joint Police Board	48%	48%	(698,689)	(29,374)	Unqualified
Grampian Valuation Joint Board	39%	39%	(4,568)	(29)	Unqualified

Note v Non-Material Interest in Other Entities

On the grounds of materiality, Aberdeen Heat and Power Limited (AH&P Ltd), the North East Transport Partnership (NESTRANS), Grampian Venture Capital Fund Ltd, Strategic Development Planning Authority and Sport Aberdeen Ltd have been excluded from the foregoing Group Accounts

AH&P Ltd is a company limited by guarantee and has no share capital. Aberdeen City Council is the sole guarantor. Control of the Company rests with the Board of Directors which is independent from Aberdeen City Council. The Council is entitled to appoint 2 out of 10 directors i.e. 20% of the Board. In the event that AH&P Ltd ceases to exist the ownership of the assets would transfer to the Council. For the year ended 31 March 2011, AH&P Ltd made a profit of £259,130 (a profit of £96,528 in 2009/10) and the net assets of the company was £628,265 (£303,557 in 2009/10). Turnover was £1,332,785 (£1,274,232 in 2009/10). The accounts for 2010/11 are subject to audit. Copies of AH&P Ltd's accounts may be obtained from Brodies Secretarial Services Limited, 15 Atholl Crescent, Edinburgh, EH3 8HA.

NESTRANS was created under the Transport (Scotland) Act 2005 by the Scottish Government. Its aim is to develop and deliver a long-term regional transport strategy and take forward strategic transport improvements that support and improve the economy, environment and quality of life across Aberdeen City and Aberdeenshire. There are 12 members on the Board. Aberdeen City Council, Aberdeenshire Council and the Scottish Government have 4 members each. The Councils fund the Partnership on an equal basis. For 2010/11, Aberdeen City Council contributed £135,000 (£143,000 in 2009/10) towards the core costs of the organisation. The current legislative position of NESTRANS prevents it from retaining a surplus and reserves. The impact in consolidation using the equity method is therefore nil. The accounts for 2010/11 are subject to audit and show a deficit of £155,000 for the year, before taking into account amounts required by statute and non-statutory proper practices to be debited or credited to the general fund balance.

Grampian Venture Capital Fund Ltd is a private company limited by shares with a share capital of £455,000. Aberdeen City Council holds 29.9% of the voting rights. The two other main shareholders are Aberdeenshire Council with 35.4% and Moray Council with 20.4%. As at 31 March 2011 the net asset amounted to £409,250 (£416,357 in 2009/10) with a deficit for the year of £7,107 (£791 in 2009/10). The accounts for 2010/11 are being prepared. It is anticipated that there will be no significant changes as at March 2011. Grampian Venture Capital Fund was established in 1988 as Moray Venture Capital Fund Limited to provide development and venture capital to promote industry in the Moray area and subsequently extended across Grampian Region in late 1994.

The Strategic Development Planning Authority is a partnership between Aberdeen City and Aberdeenshire Councils. The SDPA was designated by Scottish Ministers on 25 June 2008 and is one of 4 cities–region planning authorities. The current legislative position of SPDA prevents it from retaining a surplus and reserves. In 2010/11 Aberdeen City Council contributed £150,000 towards the costs of the organisations.

Sport Aberdeen Ltd was set up as a separate entity from Aberdeen City Council and commenced operations with effect from 9 July 2010. It is a company limited by guarantee, has charitable status, and its purpose is to provide sport services to the people of Aberdeen. For 2010/11, Sport Aberdeen made a surplus of £1,209,116 and as at 31 March 2011 its net assets were in the sum of £1,174,215.

Note vi Cash Flow Statement – Group Operating Activities

The cash flows for group operating activities include the following items:

2009/10 £000		2010/11 £000
(44,048)	Net surplus or (deficit) on the provision of services	(5,323)
(44,048)		(5,323)
	Adjustment to surplus or deficit on the provision of services for non-cash movements:	
32,924	Depreciation	46,092
33,937	Impairment, downward revaluations & non-sale derecognitions	98,051
337	Increase/Decrease in Stock	15
(10,001)	Increase/Decrease in Debtors	(45)
1,348	Increase/decrease in impairment provision for bad debts	-
(16,435)	Increase/Decrease in Creditors	19,042
11,789	Payments to Pension fund	(59,578)
4,290	Carrying amount of non-current assets sold	4,819
1,450	Carrying amount of written out assets	575
18,265	Contributions to Other Reserves/Provisions	(8,969)
(2,232)	Movement in value of investment properties	(285)
-	Assets held for sale movement	(1,555)
-	Amortisation of intangible assets	472
16,334	Other non-cash movements, including reversal of surplus or deficit on provision of services by associates and joint ventures	(14,326)
92,006		84,308
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
(17,834)	Receipt of Capital Grants and Contributions	(14,182)
(7,252)	Proceeds from the sale of PP&E, investment property and intangible assets	(5,982)
(25,086)		(20,164)
22,872	**Net cash flows from operating activities**	**58,821**

Note vii Cash Flow Statement – Group Investing Activities

2009/10 £000		2010/11 £000
(100,456)	Purchase of property, plant and equipment, investment property and intangible assets	(113,716)
(544)	Purchase of short-term and long-term investments	(16,350)
(176)	Other payments for investing activities	(575)
7,496	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,220
(246)	Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	(238)
1,600	Proceeds from short-term and long-term investments	-
17,834	Capital grants and contributions received	14,182
-	Other receipts from investing activities	-
(74,490)	**Net cash flows from investing activities**	(110,477)

Note viii Cash Flow Statement – Financing Activities

2009/10 £000		2010/11 £000
59,301	Cash receipts of short- and long-term borrowing	65,203
-	Other receipts from financing activities	-
(14,264)	Repayments of short- and long-term borrowing	(5,519)
(307)	Other payments for financing activities	(5)
44,730	**Net cash flows from financing activities**	**59,679**

Note ix Cash Flow Statement – Group Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2010 £000		31 March 2011 £000
77	Cash held by officers	77
(8,682)	Bank current accounts	(639)
(8,585)	**Total cash and cash equivalents**	**(562)**

Note x Group Property, Plant and Equipment

Movements on Balances

Movements in 2010/11:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equip	PPP Assets Included in Property, Plant & Equip
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2010	692,495	996,633	73,032	171,884	19,146	5,193	46,597	**2,004,980**	116,455
Additions	42,847	39,720	7,860	6,661	266	-	41,416	**138,770**	25,477
Revaluations	77,536	(7,122)	-	-	-	-	-	**70,414**	(879)
Derecognition / Disposals	(2,862)	(233)	(6,094)	-	-	-	-	**(9,189)**	-
Transfers	(765)	(9,589)	-	-	-	17,104	(9,840)	**(3,090)**	9,840
Other movements in Cost or Valuation	-	(5)	-	-	-	-	-	**(5)**	-
At 31 March 2011	**809,251**	**1,019,404**	**74,798**	**178,545**	**19,412**	**22,297**	**78,173**	**2,201,880**	**150,893**

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equip	PPP Assets Included in Property, Plant & Equip
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Accumulated Depreciation and Impairment									
At 1 April 2010	(41,039)	(40,133)	(31,803)	(48,508)	-	(152)	-	**(161,635)**	-
Depreciation charge	(14,172)	(17,003)	(9,144)	(5,703)	-	(72)	-	**(46,094)**	(1,593)
Depreciation & Impairment written	55,211	327	-	-	-	-	-	**55,538**	-
Derecognition / Disposals	-	45	5,933	-	-	-	-	**5,978**	-
Transfers	-	820	-	-	-	(820)	-	**-**	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	**-**	-
At 31 March 2011	**-**	**(55,944)**	**(35,014)**	**(54,211)**	**-**	**(1,044)**	**-**	**(146,213)**	**(1,593)**
Net Book Value									
At 31 March 2011	**809,251**	**963,460**	**39,784**	**124,334**	**19,412**	**21,254**	**78,173**	**2,055,668**	**149,300**
At 31 March 2010	**651,456**	**956,500**	**41,229**	**123,376**	**19,146**	**5,041**	**46,597**	**1,843,345**	**116,455**

Group Property, Plant and Equipment

Comparative Movements in 2009/10:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equip	PPP Assets Included in Property, Plant & Equip
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation									
At 1 April 2009	648,959	891,426	77,131	169,248	18,853	7,256	15,706	**1,828,579**	-
Additions	48,093	105,444	14,632	8,216	293	-	20,442	**197,120**	94,976
Revaluations	259	7,770	-	-	-	-	(566)	**7,463**	19,888
Derecognition / Disposals	(2,776)	-	(18,731)	(25)	-	-	-	**(21,532)**	1,591
Transfers	(761)	(8,006)	-	(5,555)	-	(2,063)	11,015	**(5,370)**	-
Other movements in Cost or Valuation	(1,279)	-	-	-	-	-	-	**(1,279)**	-
At 31 March 2010	**692,495**	**996,634**	**73,032**	**171,884**	**19,146**	**5,193**	**46,597**	**2,004,981**	**116,455**

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equip	PPP Assets Included in Property, Plant & Equip
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Accumulated Depreciation and Impairment									
At 1 April 2009	(30,510)	(26,738)	(43,029)	(43,406)	-	(110)	-	**(143,793)**	-
Depreciation charge	(12,016)	(18,505)	(7,490)	(5,127)	-	(76)	-	**(43,214)**	-
Depreciation & Impairment written	74	4,187	-	-	-	-	604	**4,865**	-
Derecognition / Disposals	132	-	18,716	25	-	-	-	**18,873**	-
Transfers	-	923	-	-	-	34	(604)	**353**	-
Other movements in Depreciation and Impairment	1,281	-	-	-	-	-	-	**1,281**	-
At 31 March 2010	**(41,039)**	**(40,133)**	**(31,803**	**(48,508)**	**-**	**(152)**	**-**	**(161,635)**	**-**
Net Book Value									
At 31 March 2010	**651,456**	**956,500**	**41,229**	**123,376**	**19,146**	**5,041**	**46,597**	**1,843,345**	**116,455**
At 31 March 2009	**618,449**	**864,688**	**34,102**	**125,842**	**18,853**	**7,146**	**15,706**	**1,684,786**	**-**

Note xi Loans and Trading Balances with subsidiaries as at 31 March 2009 and 2010 are as follows :

	Loans		Debtors		Creditors	
	2010/11	**2009/10**	**2010/11**	**2009/10**	**2010/11**	**2009/10**
	£'000	**£'000**	**£'000**		**£'000**	
AECC	(28,200)	27,700	46	21	(123)	120
Mountwest 343 Limited	-	-	-	-	-	-
Common Good	(1,728)	1,310	-	-	-	-
Trust Funds	(3,215)	3,252	-	-	-	-
	(33,143)	32,262	46	21	(123)	120

Note xii Operating Expenditure and Income of the Subsidiaries

The operating expenditure and income of the subsidiaries have been included within Education, Cultural and Related, Planning and Development Services, Housing, Social Work Services, and Corporate & Democratic Core.

Note xiii Share of Operating (surplus)/deficit of Joint Ventures and Associates

Analysis of operating results of Joint Ventures and Associates

	2010/11	**2009/10**
Associates	**£'000**	**£'000**
Grampian Joint Fire and Rescue Board	(3,042)	2,336
Grampian Joint Police Board	(10,088)	14,100
Grampian Valuation Joint Board	(689)	11
Associates Total	(13,819)	16,447
Joint Ventures		
Aberdeen Sports Village Limited	(126)	(320)
Joint Ventures Total	(126)	(320)

Note xiv Pension Costs

Aberdeen City Council (ACC) participates in the Local Government Pension Scheme and Teachers' Scheme administered by the Scottish Government. Aberdeen City Council acts as an administering authority for the Local Government Pension Scheme. Both schemes are defined benefit schemes based on final pensionable salary.

Subsidiaries

Aberdeen Exhibition and Conference Centre Limited (AECC) operates a defined contribution pension scheme for employees where assets of the scheme are held separately from those of the Group. Contributions are charged to the Income and Expenditure Account as they become payable in accordance with the rules of the scheme. The pension costs for the year are £151,665 (£145,743 in 2009/10).

Joint Ventures

Aberdeen Sports Village Limited (ASV Ltd) participates, as an admitted body, in the Aberdeen City Council Pension Fund, which is part of the Local Government Pension Scheme. It is a defined benefit scheme however it is closed to new members, and therefore only covers individuals who transferred to the company when it became operational.

Assets and liabilities of the Fund are not separately identified between the various employers participating as part of the triennial actuarial valuations. As a result ASV Ltd is unable to identify its relevant share of the underlying assets and liabilities in the Fund. It is therefore accounted for as a defined contribution scheme and payments made to the Pension Fund in the year are included in the Income and Expenditure Account. The pension costs for the year are £23,962 (£28,469 in 2009/10).

Associates

Grampian Joint Fire and Rescue Board participates in three schemes. The Local Government Pension Scheme administered by Aberdeen City Council provides employees with defined benefits related to pay and service. The Uniformed Firefighters Pension Schemes are unfunded schemes.

Grampian Joint Police Board participates in three pension schemes which provide members with defined benefits related to pay and service. Police Pension Schemes are unfunded and therefore net pension payments are charged to the revenue account in the year in which payment is made. Local Government Pension Scheme providing pensions to Force Support Staff is charged to the revenue account in accordance with the statutory requirements of the scheme administered by ACC.

Grampian Valuation Joint Board participates in the Local Government Pension Scheme administered by ACC.

Share of Associates Pension Interest Costs and Expected Return on Pension Assets

	2010/11 £'000	**2009/10 £'000**
Grampian Joint Fire and Rescue Board	4,740	4,108
Grampian Joint Police Board	19,951	16,927
Grampian Valuation Joint Board	99	585
Total	24,790	21,621

Note xv Net Pension Liabilities

ACC share of pension liabilities of the Joint Boards are shown as below. These have been accounted for under IAS 19 ‘Post Employment Benefits’

	2010/11	**2009/10**
	£’000	**£’000**
ACC	(253,661)	(299,732)
Share of Associates		
Grampian Joint Fire and Rescue Board	(77,146)	(80,669)
Grampian Joint Police Board	(326,490)	(337,032)
Grampian Valuation Joint Board	(1.601)	(2,087)
Total	(658,898)	(719,520)

Note xvi Share of Net Assets/Liabilities of Joint Ventures and Associates

The Share of Net Assets/Liabilities in Joint Ventures and Associates is analysed below.

		Associates			**Joint Ventures**
2010/11	**Grampian Joint Fire and Rescue Board**	**Grampian Joint Police Board**	**Grampian Valuation Joint Board**	**Total**	**Aberdeen Sports Village Limited**
	£’000	**£’000**	**£’000**	**£’000**	**£’000**
Total Assets	33,057	30,385	496	63,938	14,629
Total Liabilities	(87,595)	(351,245)	(1,755)	(440,595)	(3,772)
Net Assets/Liabilities	(54,538)	(320,860)	(1,259)	(376,657)	10,857

	Associates				Joint Ventures
2009/10	**Grampian Joint Fire and Rescue Board**	**Grampian Joint Police Board**	**Grampian Valuation Joint Board**	**Total**	**Aberdeen Sports Village Limited**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Total Assets	33,285	29,270	505	63,060	11,228
Total Liabilities	(91,960)	(364,641)	(2,287)	(458,888)	(498)
Net Assets/Liabilities	(58,675)	(335,371)	(1,782)	(395,828)	10,730

Note xvii Debtors

The debtor balance is shown net of bad debts provision as follows:-

	2010/11	2009/10
Debtors	**£'000**	**£'000**
ACC	49,195	51,453
AECC	1,109	706
Mountwest 343 Limited	308	326
Common Good	361	328
Trusts Fund	50	49
	51,023	52,862

Note xviii Charitable Trusts

Trust Funds have been incorporated into the Group accounts on the basis that they are entirely controlled by the Council, which appoints 100% of the trustees. However, it is acknowledged that the funds belong to the Trusts and that they may be used solely for the purposes specified in the Trust articles. The assets are not the property of the Council.

Some of the Trusts are also registered charities. The Trust accounts as detailed on page 140 may be further split between Charitable and non-charitable Trusts as follows:

MOVEMENT IN FUNDS	Balance as at 31 March 2010	New Funds	Revaluation of Investments	Income	Expenditure	Balance as at 31 March 2011
	£'000	£'000	£'000	£'000	£'000	£'000
Charitable Trusts	4,286	-	958	48	61	5,231
Non-Charitable Trusts	1,558	-	10	69	81	1,556
	5,844	-	968	117	142	6,787

INVESTMENT OF FUNDS AT 31 MARCH

2010		2011	Charitable Trusts	Non-Charitable Trusts
£'000	Invested in:	£'000	£'000	£'000
1,551	Land & Buildings	2,471	2,011	460
707	Equities - Listed	754	754	-
34	Gilt Edged Securities	35	35	-
3,166	Council Loans Fund	3,143	2,034	1,109
400	Other Investments	400	-	400
(14)	Sundry Debtors less Creditors	(16)	(2)	(14)
5,844		6,787	4,832	1,955

All the land and buildings held within such Trusts are held purely as investments to generate a return for the Trusts and are not used in the provision of services.

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Glossary of Terms

Revenue Expenditure : *This is expenditure incurred in providing services in the current year and which benefits that year only.*

Capital Expenditure : *This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally finance by borrowing over a period of years, or utilising income from the sale of existing assets.*

CIPFA : *The Chartered Institute of Public Finance and Accountancy.*

LASAAC : *The Local Authority (Scotland) Accounts Advisory Committee.*

BVACOP : CIPFA's *Best Value Accounting Code of Practice 2010/11.*

PWLB : *Public Works Loans Board, a Government agency that provides loans to the Council.*

IFRS : *International Financial Reporting Standards.*

IAS : *International Accounting Standard.*